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GIFT OF

Montana Railroad Commission

Received AUG 20 1920



Twelfth Annual Report

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OF THE

Board of Railroad Commissioners

AND EX-OFFICIO

**PUBLIC SERVICE COMMISSION
TRADE COMMISSION--MILL CONTROL
IRRIGATION COMMISSION
TRADE COMMISSION**

OF THE

STATE OF MONTANA

Year Ended November 30, 1919

INDEPENDENT PUBLISHING CO.
HELENA, MONTANA



AUG 20 1920

Helena, Mont., Nov. 30, 1919.

Hon. Samuel V. Stewart,
Governor of Montana,
State Capitol.

Sir:

Pursuant to the requirements of Section 4396, Revised Codes of Montana, and Section 9, Chapter 52, Session Laws of 1913, the Board of Railroad Commissioners of the State of Montana herewith submits a report for the year ended November 30, 1919.

During the period covered by this report a number of laws were enacted which resulted in the placing into operation, under the jurisdiction of this Commission, three new departments, namely: Montana Trade Commission (control of public mills), Montana Irrigation Commission, having jurisdiction over the creation and establishment of irrigation districts, and the Montana Trade Commission, having jurisdiction over the regulation of prices and charges, fixing reasonable margin of profit to be charged on commodities, food-stuffs and products, articles of merchandise and farm implements and machinery, etc. These laws greatly increased the duties and powers of this Commission.

A resume of the activities of each department is appended:

Respectfully yours,

Board of Railroad Commissioners of
the State of Montana and Ex-Offi-
cio Public Service Commission,
Montana Trade Commission (Con-
trol of Mills), Montana Irrigation
Commission, Montana Trade Com-
mission.

DANIEL BOYLE, Chairman
J. E. McCORMICK,
LEE DENNIS,

W. J. HAYNES, Commissioners.
Secretary.

PREFACE

Report has not been made herein of cases pending before the Board. All unfinished investigations and all matters not concluded on this date have been withheld and will appear in the annual report for 1920.

Copy of this report will be mailed free upon request.

PERSONNEL OF THE BOARD AND ITS STAFF

Chairman Daniel Boyle, Commissioner J. E. McCormick, and Commissioner Lee Dennis.

Commissioner McCormick's term will expire the first Monday in January, 1921.

Chairman Boyle's term will expire the first Monday in January, 1923.

Commissioner Dennis' term will expire the first Monday in January, 1925.

Staff: W. J. Haynes, Secretary; H. B. Schaefer, Rate Clerk; Thos. J. Hefling, Chief Accountant and Auditor; J. H. Bonner, Chief Engineer; Fred E. Buck, Asst. Engineer; V. E. Wilham, Safety Appliance Inspector; M. W. Dore, Safety Appliance Inspector; B. T. Stanton, Mill Expert; R. F. Bentzin, Mill Examiner; A. W. Winter, Chief Reporter; E. C. James, Asst. Reporter; J. F. Cone, Market Investigator; Edmond G. Toomey, Counsel; John Stewart, Chief Clerk; Inez B. Griswold, Stenographer; Elizabeth W. Winter, Stenographer; Harriet Sanders, Stenographer; Edith C. Sikes, Stenographer.

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PART I
Railroad Commission

RAILROAD COMMISSION

A majority of the railroads operating in Montana is still under federal control and all questions pertaining to train service, station facilities and rates were placed before the federal administration for consideration and approval. In view of the large deficits the government has sustained in operation, we are gratified in the concessions granted the Commission.

During the past year the Northern Pacific Railroad completed about 30 miles of a new line between Bozeman and Logan, and thus established a double-track service between these two points. The Montana Southern Railway (narrow gauge) completed the first unit of its line from Divide to the Elkhorn mining district, traversing a portion of Silver Bow County into Beaverhead County, a distance of approximately 38 miles.

Three laws were enacted, pertaining to railroads, by the Sixteenth Legislative Assembly, and a synopsis of each follows:

Chapter 145, an Act requiring any person, corporation or company operating a railroad or railway in the State of Montana to equip and maintain numbers on its locomotive engines and electric motors, gave the Railroad Commission jurisdiction over this matter and provided a penalty for the violation of the Act. With the object of establishing a uniform method of illuminating numbers on headlights, the Commission initiated a hearing and promulgated its Report and Order No. 268 and 268-A, quoted in full in this report. With one or two exceptions the order has been complied with, and in the case of exceptions the delay has been caused by the inability of the carrier to secure the necessary material from the factories.

Chapter 148, an Act regulating railroad crossings outside of corporate cities and towns, conferred upon the board of county commissioners the power to order the construction of railroad grade crossings and empowered the Railroad Commission to review the action of the county commissioners in case of an appeal. This Act repealed Chapter 18 and Chapter 65 of the Session Laws of the 13th Legislative Assembly.

Chapter 151 requires the installation of electric bells or other signaling devices at railroad crossings outside of incorporated cities and towns when ordered by the Railroad Commission upon the petition of a board of county commissioners.

Rate Department.

During the past year an unusually large number of complaints relating to rates was filed with the Commission. Many of these complaints were the result of discriminations brought about by General Order No. 28, issued by the Director General of Railroads, which made effective June 25, 1918, a horizontal increase of 25 per cent in all class rates and increases of from 25 to 100 per cent in commodity rates. Some of these complaints involved new matters altogether and called for substantial reductions. In addition to these, the Commission initiated many complaints, all of which were presented to the carriers concerned and in practically every case the reductions sought were granted.

The Director of the Division of Public Service of the United States Railroad Administration referred many matters involving rates, rules and regulations of the carriers to the Commission for consideration and recommendation.

A few of the most important rate matters and a synopsis of the same follow this statement so that you may have a general idea of the nature of the matters adjusted and pending.

In our last report we called attention to an advance in class rates under a proposed 120 per cent scale and an advance in coal rates on a uniform mileage basis contemplated by the United States Railroad Administration and that protests had been filed with the administration. We are pleased to say that both of these proposals were withdrawn and the increased rates not placed into effect.

General Order No. 28 seems to have caused an unusual number of overcollections on the part of railroad agents, and this, in addition to the number that naturally occur as well as claims for loss and damage, placed an added burden upon our rate department. A large number of these overcollections were refunded by the agents direct to the consignees

upon receipt of advice from the Commission as to what the correct charges should be and claims that could not be adjusted in this manner were filed formally with the claim agents of the carriers concerned. Statement of "Claims Adjusted" on a succeeding page of this report, therefore, gives you but a portion of the claims in which this Commission was instrumental in adjusting.

The drouth caused an unprecedented movement of hay and feed from eastern states and this Commission is called upon daily to have the movement of loaded cars expedited, and quite frequently to obtain empty cars for loading at stations where there is an apparent shortage. Splendid results have been obtained promptly through the willingness of carriers to cooperate. This situation is also true of the movement of coal.

No changes of moment have been made in express rates. The block system, to which we called your attention in our last report, still continues in effect. Numerous inequalities were recently discovered in this system in its application of rates in Montana and the attention of the American Railway Express Company was called to the same and corrections will be made.

Rate on Petroleum and Its Products.

Acting in accordance with the recommendation made by the special committee on the high cost of living, which committee was appointed in pursuance of a joint resolution of the Senate and House of Representatives at the Sixteenth Legislative Session, this Commission filed a complaint with the Western Freight Traffic Committee of the United States Railroad Administration on February 4th calling for material reductions in rates on gasolene and other petroleum products from Greybull and Casper, Wyoming, to all stations in Montana. Hearing in this complaint was held before the St. Paul and Omaha District Freight Traffic Committees at St. Paul on June 25th and was attended by two representatives of this Commission. These committees have not yet passed upon the matter, but it is expected that a decision will be reached before the carriers are returned to private control.

Westbound Transcontinental Rates.

The question of obtaining a proper relationship of freight rates from eastern defined territories to Montana and other intermountain states has been before the Intermediate Rate Association, of which this Commission is a member since June, 1918. This association, formerly called the Intermountain Rate Association, comprises railroad and public utility commissions and commercial organizations of the intermountain territory. Hearing held before the Western Freight Traffic Committee of the United State Railroad Administration at Chicago during July, 1918, resulted in the issuance of a tentative schedule of graded rates which was referred to the Association for consideration. For various reasons, after the schedule was issued, the Committee refused to take any further action or interest in the matter and the Association, after exhausting every means at its disposal to obtain further action, filed a complaint with the Interstate Commerce Commission in July of this year. Hearing on this complaint was held at Salt Lake City, November 7 to 12, inclusive, before two Attorney-Examiners of the Interstate Commerce Commission, at which this Commission was represented. A compromise adjustment offered by the carriers on the last day of the hearing makes it practically certain that the Interstate Commerce Commission will issue an order favorable to the Association which will be very beneficial to the people of Montana.

Emergency Rates on Account of the Drouth.

In addition to the one-half of tariff rates that the railroads have authorized during past seasons on feed and which they also authorized this season upon request of this Commission as a measure of relief for the farmers and stock growers in drouth stricken districts, low return rates were obtained to permit the shipping of stock to more favored ranges in this state not visited by the drouth and also to states traversed by Montana lines and to Colorado, Kansas, Oklahoma, Texas, New Mexico and Arizona. Full tariff rates are charged on the going movement and on the return movement which must not be later than June 1, 1920, one-third of the rate charged on the going movement will be

collected. These reduced rates have afforded the farmers and stockgrowers of Montana immeasurable relief and will assure the return to the state of a large amount of stock that would otherwise have been shipped to market and caused a further depletion of Montana's stock.

Rates on Fuel Wood.

The United States Railroad Administration was petitioned by this Commission on March 4th to establish a lower scale of rates on fuel wood, and therewith submitted a tentative scale so as to permit movement to points in central and eastern Montana. The scale as submitted was approved by the administration during the latter part of June and published by the carriers.

These reduced rates will enable the homesteader in the central and eastern part of the state to obtain fuel wood at a very reasonable charge and should stimulate the development of timber lands by affording the settler a market for wood obtained in clearing his land.

Rates on Green Coffee.

A very material reduction was obtained by this Commission in the carload rates on green coffee from Pacific coast ports to Billings and intermediate points. Helena and Billings particularly are interested, in that coffee roasters are located at these points. Rates from North Pacific Coast ports to Helena and Billings prior to the reduction on either import or domestic traffic were \$1.12½ and \$1.35½ per 100 pounds respectively, and from San Francisco \$1.36½ and \$1.55 per 100 pounds respectively. The new rates from North Pacific Coast ports to Helena and Billings on import traffic are 80 cents, and on domestic traffic \$1.00 per 100 pounds; from San Francisco on either import or domestic traffic to Helena \$1.11½ and Billings \$1.19 per 100 pounds.

Rates on Road Building Material.

The Commission on November 20, 1919, petitioned the United States Railroad Administration to publish lower carload rates on sand, gravel and crushed rock used in con-

structing improved highways. The basis of rates submitted in the petition will permit ready movement of these materials from all sources of supply to all destinations within a radius of 150 miles on one, two or three lines of railroad. Present rates are local or one-line rates which makes movement on two or more lines practically prohibitive. The Commission believes that the proposed rates, if placed into effect, will lend added encouragement to the work now under way and contemplated.

Consolidated Freight Classification.

This classification which we mentioned in our last report, providing uniform rules and ratings in all freight classification territories in the United States, has been approved with certain modifications by the Interstate Commerce Commission and it is expected it will become effective December 30, 1919. Rule Number 10, to which this Commission objected by personal representation before an Attorney-Examiner of the Interstate Commerce Commission at Portland during August of last year on account of its being detrimental to the best interests of certain Montana industries, has been modified to such an extent that it will have but very little, if any, effect upon the growth of such industries.

Train Service and Station Facilities.

Train service generally has been satisfactory, although the carriers under federal control at various times throughout the year found it necessary to curtail service in certain localities. The public seems appreciative of the actions of the carriers that made the curtailment in service necessary and the limited number of complaints filed were handled, except in two instances, informally with the carriers. In some instances it was impossible for the carriers to grant the wishes of the complainants, while in other instances they granted them promptly.

Complaints in regard to station facilities were quite numerous and those that did not involve the expenditure of large sums were in practically every instance adjusted to the satisfaction of the complainants. Where large sums

were involved and the urgency of the demanded improvement was not apparent the complaints were either denied or held in abeyance pending the return of the carriers to private control. The majority of the complaints was directed against federal controlled carriers.

The formal complaints pending before the Commission are as follows:

Docket No. 724, Mark Hunt, et al., vs. White Sulphur Springs and Yellowstone Park Railway Company. The complainants in this action desire adequate and improved station and shipping facilities at all stations along the line of this railroad, improved freight and passenger train service, and such other facilities and improvements as will enable the defendant carrier to give them reasonable service. Complaint is also made as regards the unreasonableness of the freight and passenger rates.

Docket No. 729, J. Henry Nibbe, Billings, Montana, vs. Northern Pacific Railroad and Director General of Railroads. This complainant desires the construction of a spur track from Newton, a station 26.6 miles east of Billings, one mile long, running east and paralleling on the north the Northern Pacific tracks to a proposed townsite that he contemplates platting.

The following reports and orders, pertaining to railroad matters, were issued by the Commission:

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

IN THE MATTER of the Application of the Hodge Navigation Company, Polson-Somers Transportation Company, and the Flathead Lake Transportation Company for an Increase in Rates, for the Transportation of Passengers, Freight and Express on the Flathead Lake, Montana.

DOCKET NO. 703.

**HEARING JANUARY 10, 1919.
DECIDED FEBRUARY 4, 1919.**

**REPORT AND ORDER
Number 257.**

Hearing was regularly held at Polson, Montana, on January 10, 1919, at 10 o'clock A. M.

APPEARANCES:

George W. Williams,
For the Hodge Navigation Co.

COMMISSIONERS:

Boyle,
McCormick.

The Hodge Navigation Company, the Polson-Somers Transportation Company, and the Flathead Lake Transportation Company, on October 7, 1918, filed with the Commission an amended schedule of rates for the transportation of passengers, freight, and express between Polson, Somers, and various other points located on Flathead Lake.

It was alleged that owing to the increased cost of operation it was no longer possible to operate at a profit. The manager of the Hodge Navigation Company stated at the hearing that in addition to increased cost of operation, the advent of the Dixon-Polson branch line of the Northern Pacific railway had seriously affected the business of the

transportation companies operating upon Flathead Lake, and to substantiate his evidence, he submitted a detailed statement of operating expenses and revenues showing an abnormal decrease in the business transacted by his company. The totals only are shown here:

	1917	1918	Decrease in Operating Revenues and Expenses in 1918
Operating Revenues	\$72,005.37	\$27,342.30	\$44,663.07
Operating Expenses	63,133.41	29,160.58	33,972.83
Gross Income	\$8,871.96	* \$1,818.28	
*Deficit.			

It will be noted from the above that the decrease in the business of this company in 1918 was \$44,663.07, and that the operating expenses exceeded the revenues by \$1,818.28.

The short crop last year is undoubtedly responsible for a portion of the loss. The greater percentage of the decrease, however, is due to the fact that many bulk commodities, such as carloads of grain, coal, hay, and live stock, which heretofore moved via the lake and the Great Northern railway, are now being diverted to the Dixon-Polson branch of the Northern Pacific railway.

The only business left to the transportation companies operating on the lake is the passenger business, the less than carload local freight and express, and a few carloads of grain and various other commodities originating at intermediate points on the east and west sides of the lake. It is, therefore, evident that a further discussion of this case is unnecessary as the facts set forth clearly show that the petitioners were justified in requesting an increase in rates.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE ORDERED that the Hodge Navigation Company, the Polson-Somers Transportation Company, the Flathead Lake Transportation Company shall, not later than the fifteenth (15th) day of February, 1919, file with the Secretary of the Board of Railroad Commissioners of the State of Montana, an amended schedule of rates for the transportation of passengers, freight, and express between Polson, Somers, and various points on the Flathead Lake,

and that the rates set forth in the application shall govern as a maximum; said rates shall be in full force and effect on and after February 20, 1919.

IT IS FURTHER ORDERED that the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a certified copy of this report and order upon the parties hereto.

By Order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

CHAS. P. COTTER, Secretary.

Helena, Montana, February 4, 1919.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

Kalispell Chamber of Commerce, Ronan Commercial
Club, Farmers State Bank of Pablo, First Na-
tional Bank of Polson, et al.,

Complainants,

vs.

Northern Pacific Railway Company,

Defendant.

DOCKET NO. 702.

IN THE MATTER of the Petition for Improved Passenger
and Freight Service on the Dixon-Polson Branch of the
Northern Pacific Railway Company.

HEARING JANUARY 10, 1919.
DECIDED MARCH 7, 1919.

REPORT AND ORDER
Number 261.

Hearing was regularly held at Polson, Montana, January
10, 1919, at ten o'clock A. M., with the following appear-
ances:

APPEARANCES:

Capt. Geo. W. Williams,
For the Hodge Navigation Company.
A. V. Brown, Gen'l Supt.,
For the Northern Pacific Ry. Co.

COMMISSIONERS:

Boyle,
McCormick.

October 22, 1918, certain residents of Kalispell, Polson,
Ronan and Pablo, Montana, filed with the Commission a peti-
tion requesting that an order be issued compelling the North-
ern Pacific Railway to furnish exclusive passenger and
freight train service in lieu of the mixed train service now

operated on the Dixon-Polson branch line, and further requested that the passenger train be scheduled to arrive at and depart from the docks at Polson to enable prompt transfer of passengers and baggage, and to make a close connection with the boat which is operated on Flathead Lake between Polson and Somers.

The Dixon-Polson branch is a new line 33 miles in length, recently constructed and opened for traffic in August, 1918. Dixon is a local station on the main line of the Northern Pacific railway. Polson, located at the head of Flathead Lake, is the terminus of the new line. The line passes through the Flathead Indian Reservation and opens a vast agricultural territory that has heretofore been without railroad facilities.

The Hodge Navigation Company operates a line of boats on Flathead Lake between Polson and Somers. At the latter point connection is made with the Great Northern railway for Kalispell, Lake McDonald, Glacier National Park, and other Great Northern points. Prior to the hearing, which was held at Polson, the Polson Commercial Club, representing the principal city involved in the complaint, filed with the Commission the following letter, dated December 30, 1918:

"There has been considerable agitation concerning the train service, also the schedule of the Northern Pacific railroad branch from Dixon, Montana, to Polson, Mont.

"The Polson Commercial Club meeting in special session on the 23d inst., instructed me to write to your honorable body informing you that we are satisfied with the present service knowing as we do that the business of this branch will not justify the establishment of a regular passenger train which of course would necessitate putting on a freight train. We are satisfied with the present service with one exception, with no Sunday service we are without mail from Saturday night until Monday night. Transportation being tied up during the winter months on the lake we are also without mail from the north. Therefore, if it is at all

practicable we would highly recommend the putting on of a Sunday train in addition to the present service.

"As soon as conditions will warrant we will highly recommend the establishment of a regular passenger service. As to the schedule, we see no need of a change and cannot see how a change can be made that will give us any better connections with the main line trains with our present service."

With the exception of G. W. Williams, manager of the Hodge Navigation Company, none of the petitioners appeared at the hearing to protest against the present train service. Mr. Williams stated that owing to existing train schedules the boat missed the Northern Pacific connection at Polson and also the Great Northern connection at Somers. The Great Northern train operates between Somers and Columbia Falls and makes connection with the overland trains at the latter point.

The following statement shows schedules and connections made between Columbia Falls and Dixon:

Great Northern Ry.—Main Line

WEST BOUND				EAST BOUND		
	Mall					Mall
No. 48	No. 27	No. 1	Main Line Jct.	No. 2	No. 44	No. 28
6:27 A. M.	8:13 P. M.	9:55 P. M.	Columbia Falls	4:54 P. M.	7:35 P. M.	11:05 A. M.

Great Northern Ry.—Somers Branch

No. 267	No. 245 No. 265	Stations	No. 266	No. 268 No. 248
	Lv. 6:40 A. M.	Columbia Falls		Ar. 4:45 P. M.
Lv. 2:15 P. M.	7:20 A. M.	Kallispell	Ar. 8:40 A. M.	Lv. 4:10 P. M. Ar. 3:45 P. M.
Ar. 2:45 P. M.	Ar. 7:50 A. M.	Somers	Lv. 8:10 A. M.	Lv. 3:15 P. M.

Hodge Navigation Company

Boat	Lake Pnt.	Boat
Lv. 9:00 A. M.	Somers	Ar. 5:15 P. M.
Ar. 12:00 M.	Polson	Lv. 2:00 P. M.

Northern Pacific Ry.—Dixon-Polson Branch

No. 295	Stations	No. 296
Lv. 9:45 A. M.	Polson	Ar. 5:30 P. M.
Ar. 12:45 P. M.	Dixon	Lv. 8:00 P. M.

Northern Pacific Ry.—Main Line

West-Bound				East-Bound		
No. 41	No. 8	No. 1	Main Line Jct.	No. 2	No. 4	No. 42
12:05 P. M.	1:45 P. M.	1:36 A. M.	Dixon	1:45 P. M.	4:20 A. M.	2:20 P. M.

The general superintendent of the Northern Pacific Railway Company stated that after a full investigation and after giving consideration to all interests involved, it was decided that the present schedule served the people as a whole. He also stated that a schedule which would afford a close connection with the boats operating on the lake would undoubtedly make it more convenient for a few through passengers. Such a schedule, however, would break the present connections with the main line trains at Dixon and result in a good deal of inconvenience to the people living tributary to the line between Polson and Dixon.

The branch line train leaving Polson at 9:45 A. M. arrives at Dixon at 12:45 P. M. and makes a close connection with the following trains:

No. 3, west-bound, 1:45 P. M.
 No. 2, east-bound, 1:45 P. M.
 No. 42, east-bound, 2:20 P. M.

The branch line train leaves Dixon for Polson at 3:00 P. M. and picks up all the passengers from the east and the west, reaching Dixon on the following trains:

No. 41, from the east, 12:05 P. M.
 No. 3, from the east, 1:45 P. M.
 No. 2, from the west, 1:45 P. M.
 No. 42, from the west, 2:20 P. M.

The general superintendent of the Northern Pacific railway further stated that the investment in the Dixon-Polson branch to date was \$1,157,919.00, and submitted the following statement showing the number of passengers handled and the mail and passenger earnings by months:

	Train 295		Train 296	
	Passengers	Revenue	Passengers	Revenue
August 11-31	278	\$ 158.92	275	\$ 178.63
September	661	388.66	704	475.07
October	637	322.85	547	355.25
November	560	315.08	485	281.08
December	754	403.03	558	331.34
Total	2,890	\$1,588.54	2,569	\$1,621.37
Daily Average	23½	\$12.92	21	\$13.18
Total Passenger Earnings			\$3,209.91	
Mail Contracts			561.29	

\$3,771.20

The cost of operating an exclusive passenger train during the same period of 123 days

\$5,398.43

It should be understood that the earnings of this branch consist largely of revenue derived from carload commodities moving to and from eastern and western terminals. The earnings on such movements are prorated on a mileage basis and there is but a small percentage of the through rate credited to the branch line haul. The Commission has heretofore taken the position that due to the fact that branch lines are valuable feeders they are therefore entitled to a larger percentage of the through rate than is usually allowed by the railway companies. In this case, however, if the percentage of the rate on all through freight business were increased 100 per cent and credited to the branch line haul, this branch line would still show an operation loss in 1918.

The following statement shows the apportionment of operating revenues, operating expenses and loss in operation from August 11, 1918, to December 31, 1918, of the Dixon-Polson branch:

Operating Expenses	\$26,146.97
Apportionment of All Earnings	12,281.31
Operating Loss	\$13,865.66

In connection with the investigation the Commission made a trip over the new line and is thoroughly familiar with operation conditions, service furnished, and the territory involved. Taking into consideration the passenger earnings and the average number of passengers carried each day, we are of the opinion that the business at this time does not justify exclusive passenger and freight train service, nor the extension of the passenger service to and from the dock.

The fact, however, should not be overlooked that the new branch is an important link between the Northern Pacific and the Great Northern main lines, and in addition to affording an outlet to the cities of Polson and Kalispell, it is a direct route from the southwestern portion of the state to Flathead Lake, Lake McDonald, Glacier National Park and all Great Northern points in western Montana. Therefore the conditions involved are entirely different from the conditions existing on other branch lines within the state.

The fact that a Sunday train would provide mail service to the towns on and tributary to the new line is not sufficient ground to warrant the additional expense that would be incurred by the establishment of such service. It should be borne in mind, however, that the tourist travel during the summer months to the lakes and Glacier National Park is increasing each year, and this business, together with the local travel and the benefits derived through the establishment of a daily mail service, would undoubtedly justify Sunday train service during the major portion of the navigation season.

We are of the opinion that the present mixed train service during week days in connection with a Sunday passenger train (or a mixed train providing it only handles passengers, express, mail and less than carload freight, operated on schedule time) would afford a reasonable and adequate service; provided, however, that during the fall months, when live stock and grain shipments are handled, the defendant company arrange to move such commodities by special service, thus making it possible for the mixed train to maintain its schedule and eliminate the tedious delays which are the basis of this complaint.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of certain residents of Kalispell, Polson, Ronan and Pablo for exclusive passenger and freight train service and the extension of the passenger train service to and from the dock, on the Dixon-Polson branch line of the Northern Pacific Railway Company, be and the same is hereby dismissed.

IT IS FURTHER ORDERED That the defendant, the Northern Pacific Railway Company, on each Sunday, commencing May 4th, 1919, and ending November 2d, 1919, inclusive, shall establish and operate an exclusive passenger or mixed train service (provided the latter handle only passengers, express, mail and less than carload shipments and maintain its schedule) on its Dixon-Polson line, said train to leave Polson each Sunday morning, making connections at Dixon with the main line trains, both east and west-bound, and on the return trip to leave Dixon for Polson not later than three o'clock P. M.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a certified copy of his report and order upon the parties hereto.

By order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

Helena, Montana,
March 7, 1919.

CHAS. P. COTTER,
Secretary.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

CITY OF WHITEFISH,

Complainant,

vs.

GREAT NORTHERN RAILWAY COMPANY,

Defendant.

DOCKET NO. 685.

IN THE MATTER of the Construction of a Suitable Overhead or Underground Crossing across or under the Tracks of the Defendant Company, between the City of Whitefish proper and that Portion of the Town commonly known as "Lakeside."

**HEARING SEPTEMBER 27, 1918.
DECIDED APRIL 9, 1919.**

**REPORT AND ORDER
Number 263.**

Hearing was duly held at Whitefish, Montana, September 27, 1918, at ten o'clock A. M., with the following appearances:

APPEARANCES:

Foot and Wiedman, by Mr. Wiedman
(Kallispell),
For the Complainant.
Noffsinger & Walchli, by Mr. Noffsinger
(Kallispell),
J. L. Close,
For the Defendant.

COMMISSIONERS:

Boyle,
Hall,
McCormick.

June 21, 1918, the City of Whitefish filed its complaint, setting forth the fact that it is a regularly incorporated city of the third class, situated in Flathead County, Montana, on the main line of the Great Northern railway, and has a popu-

lation of 3,000 inhabitants; that the said City of Whitefish is divided by the defendant's railway right of way; that the major portion of the city so divided is commonly denominated the "city proper" and has a population of approximately 2200 and has all of the business houses, stores, churches, schools, hotels, restaurants and places of amusement, except one general store and one school building, which accommodates pupils in but the first four grades; that the minor portion of said city, caused by said division, is commonly known as "Lakeside" and has a population of 800 people, all of whom are residents of said section; that the defendant's right of way lies directly between the two sections of the city and in order for the residents or people within said city to pass from one section to the other thereof it is necessary that they pass over said right of way; that the only available crossing across said right of way lies at a point on the Whitefish River, approximately three-quarters of a mile from the business center of the city; that by reason of the foregoing facts a majority of the people, in order to save time, cross said right of way at a point more convenient to the business center; that in so doing it is necessary to cross twelve or more railway tracks which are generally in use by the defendant, and as a rule it is necessary to climb over, under and between cars and trains in such a manner as to be exposed to grave and great danger.

Wherefore the complainant prays that the defendant be required to answer the charges set forth, and that after due hearing and investigation an order be made commanding said defendant to cease and desist from the alleged unlawful acts referred to, to install a proper and safe crossing at a proper and safe place on the defendant's right of way running through the City of Whitefish, and such other and further order as the Commission may deem necessary and just in the premises.

The defendant set forth its defense, stating that ever since January first, 1918, its properties have been and are being operated by the United States of America; that no additional crossings or other similar facilities are necessary or proper at Whitefish; that the existing crossing is sufficient, safe and proper; and that additional facilities or crossings should not be installed.

At the hearing held September 27, 1918, the defendant attacked the jurisdiction of the Commission and the matter later was referred to the Attorney General, who held as follows:

"Sub-division 12 of Section 3259 of the Revised Codes of Montana of 1907 provides as follows: The city or town council has power

"* * * to require the construction of crossings on the line of any railroad track or route within the city or town, the cars of which are propelled by steam or otherwise where the said track intersects or crosses any street, alley or public highway, or runs along the same, and to fix and determine the size and kind of such crossing and the grades thereof, and in case the owner of such railroad fails to comply with such requirements, the council may cause the same to be done, and it may assess the expense thereof against such owner, and the same constitutes a lien on any property belonging to such owner within such city or town, and may be collected as other taxes."

"It is apparent from the above that city or town councils have full jurisdiction over railroad crossings within their corporate limits. I am unable to find any provision in the laws defining the powers and duties of your Commission which indicates any intent on the part of the legislature to divest city and town councils of this power and to confer it upon your Commission. Therefore, in the absence of any such specific delegation of authority, I conclude that your Commission has no jurisdiction over railroad crossings within the corporate limits of cities and towns."

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the petition of the City of Whitefish, praying that the defendant, the Great Northern Railway Company, be compelled to establish an additional crossing over its right of way within the corporate limits of the City of Whitefish, be, and the same is hereby, dismissed, for want of jurisdiction.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana serve a certified copy of this Report and Order upon the interested parties hereto.

By Order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

Helena, Montana,
April 9, 1919.

CHAS. P. COTTER,
Secretary.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

ANACONDA COPPER MINING COMPANY,

Complainant,

vs.

**BUTTE, ANACONDA & PACIFIC RAILWAY
COMPANY,**

Defendant.

DOCKET NO. 705.

**IN THE MATTER of Rates, for the Transportation of Ore,
between Butte, Butte Hill, and Anaconda.**

DECIDED MAY 21, 1919

**REPORT AND ORDER
Number 265.**

APPEARANCES:

D. M. Kelly,
For the Plaintiff.
J. C. Maring,
For the Defendant.

The Anaconda Copper Mining Company on February 28, 1919, filed a petition praying that the Commission issue an order authorizing the defendant, Butte, Anaconda & Pacific Railway Company, operating between Butte and Anaconda, to refund to the plaintiff all moneys collected after July 25, 1918, on all ore transported by the defendant, between Butte, Butte Hill, and Anaconda, in excess of a rate of 15 cents per ton, which is the legal rate under Director General's Order No. 28. The petition further prayed that the defendant company, the Butte, Anaconda & Pacific Railway Company, be authorized to revise its tariffs to comply with the provisions of Order No. 28.

In answering, the defendant, Butte, Anaconda & Pacific Railway Company, admitted that the rate of 20 cents for the transportation of ore between Butte, Butte Hill, and Ana-

conda, as shown in its Tariff No. 40, effective July 25, 1918, was in error, inasmuch as it exceeded the lawful rate by five cents per ton.

It appears that the defendant, in revising its tariffs to conform to the increases authorized by the Director General in Order No. 28, effective June 25, 1918, erroneously applied the rule on "Rates per Ton," where the old rate was in dollars or dollars and cents, instead of applying rule one "Rates in Cents (except cents per car)" authorized in Interstate Commerce Commission Special Permission No. 45,950, governing the application of rates under the increases granted in Order No. 28. The rule on "Rates in Cents (except cents per car)" reads as follows:

"1. Where rates named in tariffs or prior supplements thereto, as enumerated herein, in cents per hundred pounds, per package, per ton, per shipment, or other unit (except rates in cents per car—see Rule 6) are included in the figures shown in Column A, the rates shown opposite thereto in Column B will apply."

As the rate in effect prior to July 25, 1918, was 12 cents per ton, under the above rule the new rate should be 15 cents.

The increases authorized by Order 28 were also erroneously applied on other commodities moving over the railway line of the defendant company.

At the time the increased rates became effective under Order No. 28, the defendant, Butte, Anaconda & Pacific Railway Company, was under federal control. On September 5, 1918, the road was turned back to private ownership. Therefore the Commission entertains the view that the relief prayed for prior to September 5, 1918, should be secured through the federal railway administration. We are of the opinion, however, that the defendant company should revise its tariffs so as to correct all rates on all commodities, to conform to the provisions of Director General's Order No. 28 and the application of same as authorized by the Interstate Commerce Commission Special Permission No. 45,950, making the rates retroactive from September 6, 1918.

We are further of the opinion that reparation should be made by the defendant company to the plaintiff, Anaconda Copper Mining Company, of all moneys collected on

and after September 6, 1918, for the transportation of ore between Butte, Butte Hill, and Anaconda, in excess of the lawful rate of 15 cents per ton.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE ORDERED That the defendant, the Butte, Anaconda & Pacific Railway Company, shall, not later than the first day of June, 1919, revise its tariff No. 40, effective July 25, 1918, naming rates for the transportation of ore and other commodities between Butte, Butte Hill and Anaconda, to conform to Director General's Order No. 28, and the rules governing the application of same as shown in Special Permission No. 45950 issued by the Interstate Commerce Commission under date of May 27, 1918; said tariff to be retroactive from and after the sixth day of September, 1918.

IT IS FURTHER ORDERED That the defendant, the Butte, Anaconda & Pacific Railway Company shall, not later than the first day of July, 1919, refund to the plaintiff, the Anaconda Copper Mining Company, all moneys collected on and after September 6, 1918, for the transportation of ore between Butte, Butte Hill and Anaconda in excess of the lawful rate of fifteen cents (15c) per ton.

IT IS FURTHER ORDERED That, if under similar conditions excessive amounts were collected from other shippers for the transportation of ore or other commodities, the defendant make reparation to all such shippers of all moneys collected on and after September 6, 1918, in excess of the lawful rate authorized in Director General's Order No. 28.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a true and certified copy of this Report and Order upon the parties hereto.

By Order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

Helena, Montana,
May 23, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

RESIDENTS OF PLAINS, EDDY, WHITE PINE,
TROUT CREEK, NOXON, and HERON,
MONTANA, Complainants,

vs.

NORTHERN PACIFIC RAILWAY COMPANY,
Defendant.

DOCKET NO. 708.

IN THE MATTER of an Application for an Order Directing
the Northern Pacific Railway Company to Resume
Operation of Trains Nos. 305 and 306 Between Paradise
and Heron, Montana.

HEARING MAY 15, 1919,
DECIDED JUNE 10, 1919.

REPORT AND ORDER
Number 266.

Hearing was regularly held at Thompson Falls, Montana,
May 15, 1919, at 2 o'clock P. M.

APPEARANCES:

Dan DeLong,
For the Residents of Noxon.
H. C. Cullom,
For the Residents of Alger.
E. J. Cannon, Div. Counsel, Spokane;
J. L. DeForce, Supt.,
For the Northern Pacific Ry. Co.

On March 16, 1919, certain residents of Plains, Eddy, White Pine, Trout Creek, Noxon, and Heron stations, located on the Northern Pacific Railway between Paradise and Heron, Montana, filed petitions praying that the Northern Pacific Railway Company be compelled to resume the operation of trains Nos. 305 and 306 between Paradise and Heron, Montana.

In answering the defendant alleged that the present schedule is a good daylight service; that to comply with the prayer of the petitioners it would be necessary to extend the operation of trains Nos. 305 and 306 from Kootenai, Idaho, (where they now stop) to Paradise and return, and would necessitate the operation of additional train service at an increased cost of operation; that it would also change the schedule of train No. 42 at least one hour and affect its schedule on the entire system; and that the change would benefit only about 60 passengers per month.

A hearing was regularly held at Thompson Falls for the purpose of investigating the necessity for the establishment of the service requested.

None of the complainants was present at the hearing. The town of Alger was represented by H. C. Cullom and the town of Noxon by Dan DeLong. Both of these gentlemen protested against any change in the service. They stated that under the present schedule it was possible to reach Thompson Falls, the county seat, on train No. 42 at 12:33 P. M., returning leave Thompson Falls on train No. 3 at 4:04 P. M., and reaching home the same evening. The present service also enabled them to secure the advantage of a through train to any point on the Northern Pacific system. If the service petitioned for were established, the through trains would discontinue doing the local work, and if passengers were going east of Paradise or west of Spokane, it would necessitate using the local train to a point where the through trains make regular stops, thus entailing a transfer and a lay-over of several hours.

The superintendent of the Idaho Division, on behalf of the defendant company, stated that trains Nos. 305 and 306 were now operated between Spokane, Washington and Kootenai, Idaho. No. 306 leaves Spokane at 6:35 A. M., reaching Kootenai at 9:00 A. M., and on the return trip No. 305 leaves Kootenai at 10:47 A. M., reaching Spokane at 1:30 P. M. No. 306 out of Spokane runs ahead of the through train No. 42, picks up all through east-bound passengers and transfers them to train 42 at Kootenai. No. 305, out of Kootenai at 10:47 A. M., runs ahead of train 41 and picks up all through west-bound passengers and transfers them to train 41 at Spokane.

Witness further stated that if the local service were extended to Paradise, Montana, it would require an additional train, as one crew could not make the round trip between Spokane and Paradise the same day, and in order to pick up through passengers on the east-bound trip and transfer them to train 42, it would be necessary for train 306 to leave Spokane not later than 5:00 A. M.

Witness likewise stated that to comply with the request of the petitioners would involve an additional monthly expense of \$2,604.00; that the revenue to be derived from the local business secured between Kootenai and Paradise would not justify the additional expense; and that the people as a whole were better satisfied with the present service afforded by through trains Nos. 3 and 42, as they passed through the territory involved during the daytime and made it possible for a majority of the people to reach the county seat, transact their business, and return the same day.

It was also shown that, in addition to the service afforded by train No. 3 west-bound and No. 42 east-bound, which trains stop at all stations, trains No. 1 and 41 west-bound and No. 4 east-bound were scheduled for regular and flag stops at the larger stations.

CONCLUSIONS.

After a full investigation the Commission is of the opinion that the present passenger train service between Paradise and Heron, Montana, is adequate and reasonable, and that the application of the petitioners is not justified by the facts, and the Commission will so hold.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE ORDERED That the application of certain residents of Plains, Eddy, White Pine, Trout Creek, Noxon, and Heron for the establishment of local service by trains Nos. 305 and 306, between Heron and Paradise, Montana, be and the same is hereby denied.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a certified copy of this report and order upon the parties hereto.

By Order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

Helena, Montana,
June 11, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

Upon the Initial Motion of the Board of Railroad Commissioners of the State of Montana, in the Matter of an Investigation for the Purpose of Obtaining Information Upon Which to Base a Uniform Method of Placing Numbers on Headlights of Locomotives and Electric Motors Hauling Trains in Montana, to Comply with Chapter 145, Session Laws of 1919.

DOCKET NO. 711.

**HEARING MAY 26, 1919,
DECIDED JUNE 17, 1919.**

**REPORT AND ORDER
Number 268.**

Hearing was regularly held at Helena, Montana, May 26, 1919, in the above proceeding, and the following representatives appeared on behalf of the different railroads and railway organizations:

A. B. Ford, Gen'l Master Mechanic,
Cent. Dist.,
For the G. N. Ry. Co., Great Falls.
F. E. Kennedy, Master Mechanic,
For the C., B. & Q. R. R. Co., Sheridan,
Wyo.
C. H. Spengler, Master Mechanic,
For the B., A. & P. Ry. Co., Anaconda.
E. H. Barrett, Asst. Gen'l Supt., Butte.
E. Sears, Master Mechanic, Deer Lodge,
For the C., M. & St. P. Ry. Co.
E. L. Grimm, Mechanical Engineer, St. Paul,
For the N. P. Ry. Co.
W. J. Ingling, Master Mechanic, Pocatello,
For the O. S. L. R. R. Co.
W. H. Bunney, Gen'l Mngr., Belfry,
For the M. W. & S. R. R. Co.
S. B. Winn, Deer Lodge,
For the B. of L. E.
C. N. Pritchard, Glendive,
For the B. of R. T.
Hugh M. Jones, Great Falls,
For the B. of L. F. and E.
Burton Watson, Missoula, State Chairman, Leg. Com.,
For the B. of L. F. and E.
Geo. L. Robinson, Great Falls,
For the B. of R. T.

COMMISSIONERS:

Boyle,
McCormick,
Dennis.

Chapter 145 of the Session Laws of 1919 requires any person, corporation or company operating a railroad or railway in the State of Montana to equip and maintain numbers on its locomotive engines and electric motors, gives the Board of Railroad Commissioners jurisdiction in the premises, and provides a penalty for the violation of this law. Sec. 1 of the above Act provides as follows:

"It shall be the duty of every person, corporation or company operating a railroad or railway in this state, to equip all locomotive engines and electric motors used in hauling trains over said railroad or railway, with suitable numbers, which numbers shall be displayed at the front and both sides of the headlight on said locomotive engine or electric motor and to be such size as to be easily read from a passing or meeting train."

At the hearing there was considerable discussion as to the most practical method of displaying the numerals on the headlights so as to comply with the provisions of the new law. It was unanimously agreed that it would not be practical to paint the numbers on the glass of the headlight, as the crew of a passing train could not see the numbers while in the arc of the headlight. If a dimmer were used in the reflector, the headlight would still be illuminated, which would be contrary to the standard rules for passing trains. All of the carriers submitted plans showing their proposed methods of displaying the numbers under the new plan.

The Northern Pacific plan provided for the train number to be installed in a hood attached to and placed on the top of the headlight, which would be connected to an independent light circuit, making it possible to illuminate the numerals when the headlight was turned out. This plan was considered to be a practical one, and all parties present agreed that the system used by the Oregon Short Line, which consists of placing the illuminated numbers on each side of the headlight at an angle of from 33 to 45 degrees, was likewise a feasible plan, as it was possible for the crew of an approaching train to read the numbers either from the front or the side of the train. It was understood by all of the representatives of the railroads and railway employe organizations that while such a system would eliminate the front number, it would still be complying with the intent of the law.

The question of equipping switch engines operating within yard limits only was fully discussed, and it was the consensus that the new law, as indicated in Section 1, applied to engines and electric motors used in road service only, and that it was not necessary to place the numbers on switch engines, unless they were used in hauling trains on the road and were receiving train orders to meet and pass other trains.

The matter of adopting a uniform size of numerals was disposed of by all parties present agreeing that the smallest size of numerals now used by any railroad or railway operating within the state should be the minimum size, provided the numbers could be easily read from a passing or meeting train, and it developed that the Oregon Short Line is using a number three inches in depth, which was smaller than that of any other road represented at the hearing. The representatives of the railway employe organizations insisted, however, that a uniform system of location and display of the numbers should be adopted by each road.

Section 5 of the new law provides that this Act shall be in full force and effect ninety days after its passage and approval. Several of the representatives of the railroads affected, who were present, stated and represented that it would be a physical impossibility to equip all of their engines within the time specified by law. It was the unanimous opinion of all such representatives that the work could be completed by November 1, 1919.

FINDINGS.

After such statements and representations by said representatives the Commission has made a full and thorough investigation as to the actual facts and conditions relative to the time it will take to equip all locomotive engines and motors in Montana, and finds that it would be impossible for some of the lines to equip all of their engines with the illuminated numbers until on or about November 1, 1919.

The Commission further finds that the various systems of railroads operating within the State of Montana do not have a uniform method of placing and displaying the numbers on their locomotive and motor headlights; that the size of the numbers used by the different carriers is not uniform;

and that some of the railroad systems use but two numbers on their headlights instead of three, as is required by law. It was developed at the hearing that those railroads which display but two numbers on their headlights have the numbers placed at an angle of from 33 to 45 degrees on each side of the headlight, and the Commission, from its experience and also from the statements of facts presented at the hearing, finds that this practice of placing two numbers at the specified angles complies with the spirit and intent of the law.

ORDER.

This matter being heard upon the initial motion of the Commission and a full and complete investigation of the matters and things involved being made.

IT IS THEREFORE ORDERED That the Northern Pacific Railway Company, Great Northern Railway Company, Chicago, Milwaukee & St. Paul Railway Company, Oregon Short Line Railroad Company, Butte, Anaconda & Pacific Railway Company, Montana, Wyoming & Southern Railroad Company, Montana Western Railway Company, Gilmore & Pittsburgh Railroad Company, White Sulphur Springs & Yellowstone Park Railway Company, Billings & Central Montana Railway Company, Chicago, Burlington & Quincy Railroad Company, Gallatin Valley Railway Company, and Minneapolis, St. Paul and Sault Ste. Marie Railway Company, shall have until November 1, 1919, to comply with the recommendations hereinbefore set forth in this Report and Order, and shall equip all locomotive engines and electric motors which are used in hauling trains on the road and which receive train orders to meet and pass other trains, with illuminated numbers on the headlight, to comply with Chapter 145 of the Session Laws of 1919.

IT IS FURTHER ORDERED That the minimum size of the numbers used by any railroad or railway system operating within the State of Montana shall be sufficiently large so that the numbers may be easily read and identified from a passing or meeting train.

IT IS FURTHER ORDERED That each railroad or railway system operating within the State of Montana shall adopt a uniform size for its numerals, and a uniform method

of location and display of said numerals on the headlights of its locomotive engines or electric motors.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a full, true, and certified copy of this Report and Order upon the interested parties hereto.

By Order of the

BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA,

Helena, Montana,
June 24, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

Upon the Initial Motion of the Board of Railroad Commissioners of the State of Montana, in the Matter of an Investigation for the Purpose of Obtaining Information Upon Which to Base a Uniform Method of Placing Numbers on Headlights of Locomotives and electric Motors Hauling Trains in Montana, to Comply with Chapter 145, Session Laws of 1919.

DOCKET NO. 711.

**SUPPLEMENTAL REPORT AND ORDER
Number 268-A.**

WHEREAS The Board of Railroad Commissioners of the State of Montana, June 24, 1919, issued its Report and Order No. 268, having reference to the equipping of locomotive engines, and electric motors hauling trains in Montana on the various railroads in the state, with proper and suitable headlight numbers, said order to become effective November 1, 1919; and

WHEREAS The various railroads operating in the state have been handicapped in carrying out the provisions of said Report and Order No. 268, because of the fact that the affiliated crafts of machinists and shopmen were on strike for a number of weeks during August and September, and hence the work of equipping the headlights with illuminated numbers was delayed;

IT IS THEREFORE ORDERED That the effective date of Report and Order No. 268 be, and the same is hereby, extended to and including December 1, 1919.

IT IS FURTHER ORDERED That the Secretary of the Board of Railroad Commissioners of the State of Montana shall serve a full, true and certified copy of this supplemental report and order upon the various carriers operating in this state.

By Order of the
**BOARD OF RAILROAD COMMISSIONERS
OF THE STATE OF MONTANA.**

Helena, Montana,
October 25, 1919.

W. J. HAYNES,
Secretary.

SAFETY APPLIANCE INSPECTORS' REPORT.

The following pages contain the report of the safety appliance inspectors to the Commission, showing the prevailing conditions during the past year of the safety appliances on freight cars, passenger cars and locomotives of all the railroads operating in the state:

**SAFETY APPLIANCE INSPECTIONS FOR THE CHICAGO, MILWAUKEE
& ST. PAUL RAILWAY COMPANY FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 1919.**

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
Dec. 20, 1918.....	51	1	250	1	4	"	6	"	Lewistown
Jan. 18, 1919.....	70	2	181	2	0	"	0	"	Butte
Feb. 3, 1919.....	94	2	235	4	0	"	10	"	Deer Lodge
Feb. 4, 1919.....	68	2	203	6	0	"	12	"	Deer Lodge
Feb. 12, 1919.....	105	5	230	4	11	"	0	"	Miles City
Feb. 14, 1919.....	56	2	125	4	0	"	8	"	Harlowton
Mar. 12, 1919.....	64	4	375	9	7	"	0	"	Miles City
Mar. 25, 1919.....	105	3	311	11	0	"	0	"	Deer Lodge
Mar. 26, 1919.....	41	0	161	4	0	"	10	"	Deer Lodge
Mar. 27, 1919.....	96	0	205	7	0	"	0	"	Alberton
Apr. 17, 1919.....	55	0	195	7	5	"	8	"	Lewistown
Apr. 18, 1919.....	30	0	120	1	2	"	3	"	Lewistown
Apr. 18, 1919.....	35	2	180	4	0	"	0	"	Harlowton
Apr. 4, 1919.....	74	3	276	2	0	"	0	"	Butte
May 22, 1919.....	99	1	209	3	9	"	12	"	Miles City
May 22, 1919.....	81	1	241	3	5	"	0	"	Melstone
May 23, 1919.....	41	3	295	4	0	"	12	"	Harlowton
June 10, 1919.....	70	1	427	2	0	"	18	"	Deer Lodge
June 10, 1919.....	29	6	71	1	0	"	0	"	Butte (Main)
June 10, 1919.....	95	1	155	2	0	"	0	"	Butte (East)
July 1, 1919.....	20	1	295	7	0	"	0	"	Alberton
Aug. 21, 1919.....	87	2	305	7	0	"	14	"	Deer Lodge
Aug. 22, 1919.....	41	0	179	0	0	"	10	"	Deer Lodge
Aug. 7, 1919.....	65	0	373	9	0	"	0	"	Butte
Aug. 28, 1919.....	41	0	133	9	0	"	0	"	Alberton
Aug. 29, 1919.....	49	2	294	16	0	"	0	"	Alberton
Sept. 3, 1919.....	85	0	266	0	0	"	0	"	Deer Lodge
Sept. 6, 1919.....	91	2	379	11	0	"	24	"	Alberton
Sept. 7, 1919.....	52	1	273	4	0	"	12	"	Alberton
Sept. 9, 1919.....	47	1	296	2	0	"	21	"	Deer Lodge
Sept. 11, 1919.....	75	1	285	8	0	"	0	"	Butte
Sept. 20, 1919.....	31	4	227	14	0	"	0	"	Three Forks
Oct. 17, 1919.....	85	3	235	10	0	"	18	"	Miles City
Oct. 25, 1919.....	75	6	235	3	0	"	0	"	Three Forks
Nov. 14, 1919.....	26	0	323	3	0	"	0	"	Butte
Nov. 19, 1919.....	44	1	132	1	0	"	0	"	Deer Lodge
Totals	2273	63	8685	185	43	None	198	None	

36 inspections made.

Total Cars Inspected.....	10,958
Total Cars Defective.....	245
Per Cent Efficiency.....	97.76
Defects Reported	248
Locomotives Inspected	43 (100% Efficiency)
Passenger Cars Inspected.....	198 (100% Efficiency)

TWELFTH ANNUAL REPORT

CHICAGO, MILWAUKEE & ST. PAUL RAILWAY TERMINAL
AIR-BRAKE INSPECTION.

Date—1919	Cars In Train	Cars Operated	Cars Cut Out	Cars In-operative	% Efficiency Operat.	Yard	Remarks
Feb. 4.....	64	58	0	6	90.62	Deer Lodge	Movement as shown
Feb. 4.....	75	66	0	9	88.00	" "	" " "
Mar. 25.....	59	58	0	1	98.30	" "	" " "
Mar. 26.....	72	67	0	5	93.05	" "	" " "
Mar. 26.....	105	100	0	5	95.42	" "	" " "
Mar. 27.....	67	59	3	5	88.06	Alberton	" " "
Mar. 27.....	78	74	1	3	94.87	"	" " "
Mar. 27.....	75	68	1	6	90.66	"	" " "
Mar. 12.....	71	64	0	7	90.14	Miles City	" " "
June 10.....	72	62	0	10	86.11	Deer Lodge	" " "
June 10.....	71	68	0	3	95.77	" "	" " "
June 10.....	50	49	0	1	98.00	" "	" " "
July 1.....	63	44	5	14	69.84	Alberton	" " "
July 1.....	58	48	1	9	82.75	"	" " "
Aug. 28.....	65	51	1	13	78.46	"	" " "
Aug. 29.....	77	63	0	14	81.81	"	" " "
Aug. 29.....	80	72	2	6	90.00	"	" " "
Aug. 29.....	105	69	5	31	65.71	"	" " "
Aug. 30.....	81	71	0	10	87.74	"	" " "
Aug. 30.....	62	54	2	6	87.09	"	" " "
Sept. 6.....	105	80	0	25	76.19	"	" " "
Sept. 6.....	84	64	0	20	76.19	"	" " "
Sept. 6.....	57	51	2	4	89.47	"	" " "
Sept. 7.....	79	68	0	11	86.07	"	" " "
Sept. 7.....	80	69	0	11	86.25	"	" " "
Sept. 9.....	69	64	0	5	92.75	Deer Lodge	" " "
Sept. 9.....	73	68	0	5	93.15	" "	" " "
Sept. 9.....	102	96	0	6	94.11	" "	" " "
Totals	2099	1825	23	251	86.94	(Average % on 28 trains)	

It will be noticed from the above figures that seven of the trains left the terminal without the required 85% of air-brake power, as prescribed by law.

RAILROAD COMMISSION OF MONTANA

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SAFETY APPLIANCE INSPECTIONS FOR THE GREAT NORTHERN
RAILWAY COMPANY FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 1919.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
Jan. 13, 1919.....	226	1	78	5	5	0	12	None	Butte
Jan. 21, 1919.....	41	0	264	6	8	0	12	"	Great Falls
Jan. 22, 1919.....	66	1	188	3	3	0	0	"	Troy
Jan. 22, 1919.....	0	0	206	19	4	0	3	"	Rexford
Jan. 23, 1919.....	75	0	368	3	8	0	10	"	Whitefish
Jan. 24, 1919.....	239	3	0	0	0	0	0	"	Whitefish
Jan. 24, 1919.....	20	2	119	0	5	0	4	"	Cut Bank
Jan. 28, 1919.....	73	0	266	2	12	0	0	"	Cut Bank
Jan. 30, 1919.....	74	1	266	4	9	0	21	"	Havre
Mar. 5, 1919.....	65	4	310	12	11	0	0	"	Wolf Point
Mar. 6, 1919.....	31	4	92	10	4	0	0	"	Bowdoin
Mar. 7, 1919.....	91	1	205	7	14	0	22	"	Havre
Mar. 18, 1919.....	68	4	221	2	7	0	24	"	Havre
Mar. 18, 1919.....	49	5	230	16	11	1	8	"	Cut Bank
Mar. 19, 1919.....	81	1	307	5	12	0	18	"	Whitefish
Mar. 20, 1919.....	47	2	132	4	4	0	0	"	Troy
Mar. 21, 1919.....	76	0	394	9	8	0	0	"	Whitefish
Apr. 1, 1919.....	65	0	160	3	2	0	10	"	Butte
Apr. 15, 1919.....	120	2	280	11	12	0	16	"	W. Great Falls
Apr. 16, 1919.....	80	1	205	3	2	0	0	"	S. Great Falls
May 26, 1919.....	31	2	105	2	6	0	25	"	Great Falls
May 27, 1919.....	94	7	375	4	11	0	18	"	Whitefish
May 28, 1919.....	70	1	359	6	9	0	0	"	Troy
May 29, 1919.....	67	2	174	1	0	0	0	"	Troy
June 3, 1919.....	141	33	284	4	9	0	18	"	Wolf Point
June 4, 1919.....	70	1	249	4	7	0	21	"	Havre
June 4, 1919.....	49	0	105	0	9	0	0	"	Bowdoin
June 5, 1919.....	59	0	120	3	5	0	0	"	Cut Bank
June 6, 1919.....	107	2	372	6	10	2	0	"	Cut Bank
June 9, 1919.....	80	0	205	0	5	0	12	"	Butte
July 8, 1919.....	41	2	208	3	4	0	21	"	Great Falls
July 9, 1919.....	70	0	291	6	12	0	0	"	Great Falls
July 11, 1919.....	31	0	132	0	9	0	17	"	Great Falls
July 22, 1919.....	45	3	276	11	6	0	4	"	Wolf Point
July 24, 1919.....	31	3	120	3	1	0	2	"	Rexford
July 25, 1919.....	52	1	103	7	9	0	12	"	Whitefish
July 25, 1919.....	55	3	248	4	12	0	16	"	Havre
July 31, 1919.....	41	0	128	4	3	0	2	"	Rexford
July 31, 1919.....	17	1	5	6	0	0	0	"	Gateway
Aug. 1, 1919.....	98	4	219	0	7	0	6	"	Troy
Aug. 2, 1919.....	85	4	375	4	10	0	9	"	Troy
Aug. 3, 1919.....	77	2	234	2	4	0	0	"	Troy
Aug. 4, 1919.....	55	2	170	3	2	0	27	"	Great Falls
Aug. 5, 1919.....	55	0	245	1	4	0	10	"	Butte
Sept. 10, 1919.....	56	0	226	2	3	0	10	"	Butte
Sept. 23, 1919.....	41	1	312	6	12	0	18	"	Great Falls
Sept. 24, 1919.....	30	5	325	6	14	0	10	"	Whitefish
Sept. 27, 1919.....	95	3	294	2	9	0	9	"	Troy
Sept. 28, 1919.....	85	2	304	1	2	0	6	"	Troy
Sept. 29, 1919.....	35	0	205	0	3	0	0	"	Rexford
Sept. 30, 1919.....	19	22	3	3	0	0	3	"	Gateway
Oct. 3, 1919.....	26	0	155	0	5	0	8	"	Whitefish
Oct. 29, 1919.....	75	5	349	8	12	0	3	"	Cut Bank
Oct. 30, 1919.....	80	3	369	8	14	0	18	"	Whitefish
Oct. 31, 1919.....	49	2	126	6	5	0	2	"	Rexford
Nov. 1, 1919.....	115	1	325	0	17	0	41	"	Great Falls
Nov. 11, 1919.....	75	0	105	0	4	0	12	"	Butte
Totals	3889	149	12491	256	395	3	520	None	

57 inspections made.

Totals Cars Inspected.....	16,380
Total Cars Defective.....	379
Per Cent Efficiency.....	97.68
Defects Reported.....	405
Locomotives Inspected.....	395
Total Locomotives Defective.....	3
Per Cent Efficiency.....	99.24
Defects Reported.....	3
Passenger Cars Inspected.....	520 (100% Efficiency)

GREAT NORTHERN RAILWAY TERMINAL AIR-BRAKE INSPECTION.

Date—1919	Cars In Train	Cars Operated	Cars Cut Out	Cars In-operative	% Efficiency Operat.	Yard	Remarks
Jan. 28.....	42	36	0	6	85.71	Cut Bank	Movement as shown
Jan. 28.....	42	39	0	3	92.85	"	" " "
Jan. 23.....	20	17	0	3	85.00	Whitefish	" " "
Jan. 23.....	55	52	0	3	94.54	"	" " "
Jan. 23.....	43	42	0	1	97.67	"	" " "
Jan. 24.....	40	38	0	2	95.00	"	" " "
Jan. 24.....	55	52	0	3	94.54	"	" " "
Jan. 30.....	25	22	0	3	88.00	"	" " "
Mar. 18.....	23	18	0	5	78.26	Cut Bank	" " "
Mar. 19.....	63	49	0	14	77.77	Whitefish	" " "
Mar. 19.....	46	44	0	2	95.65	"	" " "
Mar. 21.....	60	47	0	13	78.33	"	" " "
June 4.....	31	25	1	5	80.64	Havre	" " "
June 4.....	31	21	0	10	67.74	"	" " "
June 5.....	44	38	0	6	86.36	Cut Bank	" " "
June 6.....	9	9	0	0	100.00	" "	" " "
June 6.....	40	35	0	5	87.50	" "	" " "
June 6.....	51	46	0	5	90.19	" "	" " "
July 31.....	23	19	0	4	82.60	Rexford	" " "
July 31.....	50	39	0	11	78.00	"	" " "
Aug. 1.....	59	57	0	2	96.61	Troy	" " "
Aug. 1.....	70	69	0	1	98.57	"	" " "
Aug. 2.....	53	48	0	5	90.56	"	" " "
Aug. 2.....	63	61	0	2	96.82	"	" " "
Aug. 2.....	84	83	0	1	98.80	"	" " "
Aug. 3.....	62	59	0	3	95.16	"	" " "
Aug. 3.....	54	50	0	4	92.59	"	" " "
Sept. 27.....	59	56	0	3	94.94	"	" " "
Sept. 27.....	72	68	0	4	94.44	"	" " "
Sept. 27.....	63	60	0	3	95.23	"	" " "
Totals	1432	1299	1	132	90.71	Average % on 30 trains)	

It will be noticed that the above figures show seven trains with less air-brake power than prescribed by law. The repairs were made before leaving the terminal to comply with the law.

SAFETY APPLIANCE INSPECTIONS FOR THE NORTHERN PACIFIC
RAILWAY COMPANY FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 1919.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
Jan. 15, 1919.....	32	2	117	2	2	None	0	None	Butte
Jan. 17, 1919.....	30	7	99	0	8	"	0	"	Butte
Feb. 5, 1919.....	72	1	301	8	13	"	30	"	Missoula
Feb. 6, 1919.....	43	0	146	5	2	"	0	"	Paradise
Feb. 7, 1919.....	83	2	372	4	6	"	15	"	Missoula
Feb. 11, 1919.....	72	1	233	8	8	"	12	"	Glendive
Feb. 26, 1919.....	72	1	261	3	14	"	16	"	Billings
Feb. 27, 1919.....	80	1	207	2	10	"	0	"	Laurel
Feb. 28, 1919.....	73	4	205	6	11	"	16	"	Livingston
Mar. 13, 1919.....	61	0	316	3	9	"	13	"	Glendive
Mar. 28, 1919.....	104	2	296	3	8	"	14	"	Missoula
Mar. 29, 1919.....	84	4	266	3	5	"	11	"	Missoula
Apr. 1, 1919.....	55	1	195	6	1	"	0	"	Butte
Apr. 2, 1919.....	95	2	255	4	8	"	0	"	Butte
Apr. 8, 1919.....	105	0	312	7	12	"	16	"	Billings
Apr. 22, 1919.....	175	1	304	8	11	"	30	"	Billings
May 1, 1919.....	176	3	263	3	16	"	21	"	Missoula
May 2, 1919.....	38	1	105	3	5	"	0	"	Paradise
May 20, 1919.....	75	0	206	6	9	"	0	"	Laurel
May 21, 1919.....	67	0	172	9	6	"	18	"	Glendive
June 9, 1919.....	45	0	30	2	2	"	0	"	Butte (Main)
June 11, 1919.....	15	2	145	0	2	"	13	"	Butte (West)
June 11, 1919.....	60	4	130	1	11	"	0	"	Butte (East)
June 19, 1919.....	1	1	139	1	2	"	1	"	Bridger
June 23, 1919.....	74	0	356	6	11	"	31	"	Billings
June 24, 1919.....	61	3	358	10	9	"	0	"	Laurel
June 25, 1919.....	69	3	310	0	7	"	29	"	Livingston
June 26, 1919.....	40	5	117	3	2	"	0	"	Livingston
Aug. 5, 1919.....	25	0	128	3	2	"	0	"	Butte (Main)
Aug. 6, 1919.....	75	3	348	1	8	"	0	"	Butte (East)
Aug. 13, 1919.....	91	2	310	8	15	"	27	"	Missoula
Aug. 14, 1919.....	76	2	275	7	5	"	21	"	Missoula
Aug. 19, 1919.....	65	1	235	13	7	"	0	"	Paradise
Aug. 20, 1919.....	81	4	201	12	4	"	0	"	Paradise
Aug. 27, 1919.....	105	0	276	9	12	"	28	"	Missoula
Sept. 5, 1919.....	82	2	305	6	7	"	28	"	Missoula
Sept. 10, 1919.....	35	0	115	2	1	"	0	"	Butte (Upper)
Sept. 13, 1919.....	85	3	275	0	9	"	12	"	Butte (Main)
Oct. 9, 1919.....	55	0	279	5	12	"	26	"	Billings
Oct. 10, 1919.....	79	3	295	5	8	"	0	"	Laurel
Oct. 16, 1919.....	91	1	265	6	9	"	22	"	Glendive
Oct. 17, 1919.....	61	6	76	1	4	"	0	"	Forsyth
Oct. 18, 1919.....	61	1	235	3	12	"	14	"	Livingston
Nov. 5, 1919.....	39	1	115	2	5	"	0	"	Butte (Main)
Nov. 11, 1919.....	35	0	122	3	2	"	0	"	Butte (Upper)
Nov. 13, 1919.....	55	2	312	0	12	"	18	"	Butte (Main)
Nov. 15, 1919.....	63	1	307	2	9	"	5	"	Butte (East)
Nov. 17, 1919.....	67	0	296	3	8	"	17	"	Butte (Main)
Nov. 18, 1919.....	44	0	312	1	14	"	26	"	Missoula
Totals	3327	83	11298	208	380	None	535	None	

49 inspections made.

Total Cars Inspected.....	14,625
Per Cent Efficiency.....	98.05
Defects Reported	291
Locomotives Inspected	380
Locomotives Defective	0
Per Cent Efficiency.....	100.00
Defects Reported	0
Passenger Cars Inspected.....	535 (100% Efficiency)

TWELFTH ANNUAL REPORT

NORTHERN PACIFIC RAILWAY TERMINAL AIR-BRAKE INSPECTION.

Date—1919	Cars in Train	Cars Operated	Cars Cut Out	Cars In-operative	% Efficiency Operat.	Yard	Remarks
Mar. 28.....	57	57	0	0	100.00	Missoula	Movement as shown
Mar. 28.....	62	62	0	0	100.00	"	" " " "
Mar. 28.....	42	38	0	4	90.43	"	" " " "
May 1.....	66	60	0	6	90.90	"	" " " "
May 1.....	56	56	0	0	100.00	"	" " " "
May 1.....	74	72	0	2	97.29	"	" " " "
June 25.....	22	22	0	0	100.00	"	" " " "
June 24.....	52	48	0	4	92.30	Laurel	" " " "
June 24.....	29	29	0	0	100.00	"	" " " "
Aug. 20.....	82	69	0	13	84.14	Paradise	" " " "
Aug. 27.....	56	49	0	7	87.50	Missoula	" " " "
Aug. 27.....	70	68	0	2	97.14	"	" " " "
Aug. 27.....	66	62	0	4	93.93	"	" " " "
Oct. 16.....	51	39	0	12	76.47	Glendive	" " " "
Oct. 17.....	40	35	1	4	87.50	Forsyth	" " " "
Nov. 4.....	57	52	0	5	91.22	Missoula	" " " "
Nov. 4.....	52	52	0	0	100.00	"	" " " "
Nov. 4.....	56	56	0	0	100.00	"	" " " "
Nov. 4.....	45	45	0	0	100.00	"	" " " "
Nov. 17.....	55	55	0	0	100.00	"	" " " "
Totals	1090	1026	1	63	94.12	(Average % on 20 trains)	

It will be noticed that the above figures show two trains with less air-brake power than prescribed by law. The repairs were made before leaving the terminal to comply with the law.

SAFETY APPLIANCE INSPECTIONS FOR THE FOLLOWING RAILROADS
FOR THE FISCAL YEAR ENDED NOV. 30, 1919.

Butte, Anaconda and Pacific Railway Company.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
Jan. 14, 1919.....	342	0	7	0	0	0	0	0	Anaconda
Jan. 15, 1919.....	141	0	39	2	0	0	0	0	Butte
Apr. 3, 1919.....	196	0	155	0	0	0	11	0	Anaconda
June 12, 1919.....	215	0	14	0	0	0	4	0	Anaconda
June 13, 1919.....	175	0	9	0	0	0	0	0	Rocher
Aug. 9, 1919.....	428	1	24	2	0	0	0	0	Rocher
Aug. 8, 1919.....	290	0	0	0	0	0	3	0	Anaconda
Sept. 12, 1919.....	340	0	22	0	0	0	8	0	Anaconda
Nov. 12, 1919.....	310	0	65	0	0	0	6	0	Anaconda
Totals	2436	1	335	4	0	0	32	0	

Nine inspections made.

Total Cars Inspected..... 2,771

Per Cent Efficiency..... 99.81

Defects Reported..... 5

Locomotives Inspected..... 0 (Elec. Motors Used)

Passenger Cars Inspected..... 32 (100% Efficiency)

Northern Pacific and Oregon Short Line Joint Yards at Silver Bow.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
Jan. 16, 1919.....	26	4	169	7	2	0	0	0	Silver Bow Silver Bow Silver Bow Silver Bow
Apr. 5, 1919.....	130	2	210	0	2	0	0	0	
June 13, 1919.....	7	7	149	2	1	0	0	0	
Nov. 20, 1919.....	125	0	170	1	2	0	0	0	
Totals	288	13	698	10	7	0	0	0	

Four inspections made.

Total Cars Inspected..... 986
 Per Cent Efficiency..... 97.66
 Defects Reported 23
 Locomotives Inspected 7 (100% Efficiency)

Oregon Short Line Railroad Company.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
May 16, 1919.....	65	3	135	1	3	0	7	0	Lima Lima Lima
July 16, 1919.....	75	0	228	4	3	0	0	0	
July 17, 1919.....	30	0	80	0	6	0	0	0	
Totals	170	3	441	5	17	0	7	0	

Three inspections made.

Total Cars Inspected..... 611
 Per Cent Efficiency..... 98.85
 Defects Reported 8
 Locomotives Inspected 17 (100% Efficiency)
 Passenger Cars Inspected..... 7 (100% Efficiency)

TWELFTH ANNUAL REPORT

Gilmore and Pittsburg Railroad Company.

Date	Home Cars	Defects	Foreign Cars	Defects	Engines	Defects	Pass. Cars	Defects	Yards
July 18, 1919.....	0	0	45	0	1	0	2	0	Armstead
Totals	0	0	45	0	1	0	2	0	

One inspection made.

Number of Cars Inspected..... 45 (100% Efficiency)
 Locomotives Inspected 1 (100% Efficiency)
 No. of Passenger Cars Inspected..... 2 (100% Efficiency)

BUTTE, ANACONDA AND PACIFIC RAILROAD TERMINAL AIR-BRAKE INSPECTION.

Date—1919	Cars in Train	Cars Operated	Cars Cut Out	Cars In-operative	% Efficiency Operat.	Yard	Remarks
Jan. 15.....	91	91	0	0	100.00	Anaconda	Movement as shown
Apr. 3.....	96	96	0	0	100.00	"	" " "
June 12.....	88	88	0	0	100.00	"	" " "
Aug. 8.....	79	79	0	0	100.00	"	" " "
Sept. 12.....	74	74	0	0	100.00	"	" " "
Nov. 12.....	95	95	0	0	100.00	"	" " "
Totals	523	523	0	0	100.00		

DEFECTS CLASSIFIED COVERING ALL RAILROADS.

Railroad	Defective Visible Parts of Air	Defective Couplers and Parts	Defective Running Boards and Parts	Defective Retaining Valves and Parts	Defective Handholds	Defective Hand Brakes and Parts	Defective Ladders	Defective Sill Steps	Total Defects	Cars In- Cars Inspected	Cars Defective	Per Cent Efficiency
B. A. & P. Ry....	2	1	0	0	2	0	0	0	5	2771	5	99.81
C. M. & S. P. Ry.	108	66	25	20	11	16	2	0	248	10958	245	97.76
G. & P. R. R....	0	0	0	0	0	0	0	0	0	45	0	100.00
G. N. Ry.....	146	109	55	42	19	28	1	5	405	16380	379	97.68
N. P. Ry.....	95	88	45	35	13	13	1	1	291	14625	284	98.05
N. P. & O. S. L.	14	3	3	1	1	1	0	0	23	986	23	97.66
O. S. L. R. R....	1	3	2	0	1	0	1	0	8	611	7	98.85
Totals	366	270	130	98	47	58	5	6	980	46376	943	97.96

GENERAL STATEMENT OF INSPECTIONS COVERING ALL RAILROADS.

Total Freight Cars Inspected.....	46,376
Total Freight Cars Defective.....	943
Per Cent Efficiency.....	97.96
Defects Reported.....	980
Passenger Cars Inspected.....	1,295
Passenger Cars Defective.....	0
Per Cent Efficiency.....	100
Defects Reported.....	0
Locomotives Inspected.....	843
Locomotives Defective.....	3
Per Cent Efficiency.....	99.24
Defects Reported.....	3

SUMMARY OF THE TERMINAL AIR-BRAKE INSPECTIONS ON THE
FOLLOWING RAILROADS FOR THE FISCAL YEAR
ENDED NOVEMBER 30, 1919.

Railroad	Trains	Cars in Train	Air Cars	Brakes Cut Out	Brakes In- operative	Cars Con- trolled by Air	% Effi- ciency
G. N. Ry. Co.....	30	1432	1432	1	132	1299	90.71
C. M. & St. P. Ry. Co.....	23	2099	2099	23	251	1825	86.94
N. P. Ry. Co.....	20	1090	1090	1	63	1026	94.12
B. A. & P. R. R. Co.....	6	523	523	0	0	523	100.00
Totals	84	5144	5144	25	446	4673	*90.84

*Average % efficiency.

Under the direction of the Commission many other duties were performed by the inspectors, such as investigating railroad accidents, station facilities, stock yards, industry spurs, demurrage charges, coal movement, adjustments of damaged, lost or pilfered express and freight, prompt unloading of cars, switching service, rough handling of merchandise cars in yards, installing of electric bells on public railroad crossings, and so forth.

GREAT NORTHERN RAILWAY COMPANY

Butte Division.

December 21, 1918, at Great Falls, Montana, about 6:55 A. M., there was a side collision between a light engine and two switch engines coupled together, hauling 18 cars. The collision resulted in the death of one employe and in injuries to six employes, all of whom were on duty.

An investigation of the accident by the Commission's inspectors justifies the conclusion that the primary cause of the collision was the failure of the night yardmaster properly to protect a yard movement over the main line within the yard limits against a train holding orders authorizing its movement over the same track. It developed that the night yardmaster gave a "come ahead" signal to the approaching yard engines before first ascertaining if the track to be used was clear.

As a contributing cause, the speed of the yard engines was excessive, in that the engines were running at a greater speed than permitted by the yard rules, especially when approaching a junction point within the yard limits. This is evidenced by the fact that the engines received very heavy damages and also by the nature of the damages sustained by the employes. Another contributing cause was the failure of the railway company to provide an adequate block system to insure safe operation over a piece of main line track where the density of traffic is very heavy on a single-track line.

The engines involved were light engine 1580 east-bound, without cars, in charge of Engineer J. Miller, Fireman E. Anderson, and Pilot B. O. Day, and switch engines 14 and 525, coupled together and hauling 18 cars, with five employes with each engine.

The collision occurred a few feet west of the west side main line junction switch, which is within the yard limits. At this point this railroad is a single-track line. The movement of the trains is governed by yard rules and no block system is in use. The grade is practically level. Commencing from the west approach of the Missouri river bridge,

there is a curve leading to the right for west-bound trains of about six degrees, 1100 feet in length, and followed by 800 feet of tangent track up to the point of the accident.

Approaching the scene of the collision from the east the vision of the crew on engine 14 was several hundred feet. It was dark and the atmosphere was hazy, and both headlights were burning. Engine extra 1580 was occupying the main line and was ready to leave. Assistant yardmaster Andrews knew that extra 1580 was occupying the main line, and before giving the "come ahead" signal he should have notified the crew of this extra that he intended to run the yard engines from the east yard before they could leave. Had he done so it would have prevented the collision. Engineer Bruce, in charge of engine 14, is at fault for excessive speed within the yard limits, particularly when approaching a junction point. It is estimated that the speed of the engines was from 20 to 25 miles an hour at the time of the collision.

Estimated damage to track and equipment, \$4,550.00.

GREAT NORTHERN RAILWAY COMPANY

Havre Division.

About seven o'clock P. M., February 19, 1919, an automobile accident occurred in the yards of the Great Northern Railway Company, at Gilman, Montana. The automobile was occupied by six people and was traveling on a public road which crosses the yard tracks, and while crossing the tracks it was hit by cars which were being pushed by a locomotive. The collision resulted in the death of two of the occupants of the car.

The construction of the yards at Gilman consists of three tracks—main line, passing track, and industry track. The depot is about midway on the north side of these tracks. One hundred and fifty feet east of the depot a public road crosses the yard tracks. It was while the automobile was crossing the industry track that the accident occurred.

At the time of the accident the night was dark, but the weather was clear. The track approaching the point of the accident was practically level and straight, with the exception of a short curve on the industry track, made necessary by its main line connection.

On the date of the accident the train arrived at Gilman on time—6:45 P. M.—and stopped at the depot platform to discharge passengers and unload express and freight, after which the crew started to do the required station switching, and it was while doing this work that the accident occurred. The engine had a hold of seven cars and was backing in on the industry track. The engine was heading east and was backing the string of cars west. Just as the train was approaching the crossing the rear brakeman, on top of the seventh car, noticed an automobile moving from the north to the south, behind three coaches standing on the main line just east of the crossing. The machine was moving about six miles an hour and the train about four. Brakeman Foster saw the auto approaching and thought it was going to stop, but when he saw that the driver had no intention to stop he gave a severe stop signal which was transferred at once by Brakeman Bateman who was on the car next to the engine, to the engineer. The automobile had the side cur-

tains up and the driver apparently was not aware of the approaching train. No blame seems to attach to the train crew for this accident, but the crew might have taken extra precaution by having a flagman on the crossing, as the night was dark and the view is somewhat obstructed by a warehouse on the south side of the track.

It is recommended that crossings of this nature, especially during stormy weather and dark nights, should be protected by a flagman while cars are being switched in the yard.

TWELFTH ANNUAL REPORT

MILEAGE OF ALL RAILROADS.
(Not Including Those Under Construction.)
Data Obtained from Annual Reports Filed December 31, 1918.

Name	Main Line	Main Line Double Track	Branches, etc.	Total Owned	Operated Under Lease, etc.	Total Operated	Changes in Mileage Since Dec. 31, 1917
A. & P. Ry	25.30	2.28	123.08	150.66	8.94	159.60	.47*
B. & C. M. Ry R.	12.62		1.55	14.17	2.28	16.45	
B. & Q. R. R.	134.38		36.15	170.53	77.04	247.57	.02†
C. M. & St. P. R. R.	1,157.29	6.55	316.72	1,480.56	3.57	1,484.13	10.53†
G. V. Ry.	78.14		11.42	89.56		89.56	
G. & P. R. R.	37.40		5.33	43.23		43.23	
G. N. R. R.	1,733.35	76.48	547.36	2,357.19	30.18	2,387.37	54.03*
M. St. P. & S. Ste M. R. R.	57.00		4.91	61.91		61.91	.03†
M. W. Ry	20.13		3.00	23.13		23.13	
M. & S. R. R.	28.78		4.51	33.29		33.29	
N. P. R. R.	1,479.68	147.74	546.16	2,173.58	121.77	2,295.35	44.47†
O. S. L. R. R.	126.23		9.80	136.03		144.72	.01†
W. S. S. & Y. P. Ry	19.32		2.19	21.51	5.63	27.14	
Y. P. Ry. (Tracks Taken Up)							10.40†
	4,909.62	233.05	1,612.68	6,755.35	258.10	7,013.45	77.98†

*Increase.

†Decrease.

‡Net Increase.

REPORT OF ALL CARLOADS OF COMMODITIES ORIGINATING AT MONTANA STATIONS
FOR FISCAL YEAR ENDED JUNE 30, 1919.

	Automobiles	Beer	Commercial Coal	Company Coal	Company Freight	Furniture & Fixtures	Empt. Movl & H. H. Goods	Farm Imple-	Apples	Fruit & Vego- tables	Dried Peas & Beans	Potatoes	Flour & Mill Stuffs	Barley	Corn	Flax
July, 1918	.....	27	2994	6219	1747	6	127	72	.....	14	4	14	171	.....	3	12
August, 1918	38	31	4991	3725	1357	.....	108	106	3	14	2	9	125	.....	3	6
September, 1918	4	17	3306	4450	1303	.....	129	88	44	22	25	16	433	.....	2	11
October, 1918	3	26	3799	5552	1399	1	181	55	173	173	46	143	591	8	1	42
November, 1918	4	8	2891	4777	1126	.....	170	20	63	77	55	209	599	10	2	240
December, 1918	9	15	3233	4521	795	.....	100	32	20	62	65	35	818	35	5	242
January, 1919	4	15	3011	3884	1376	.....	45	21	6	79	20	67	693	44	5	232
February, 1919	1	2	1850	2094	2682	1	114	22	8	22	28	40	580	17	7	155
March, 1919	6	.....	2482	2890	1503	12	167	59	6	98	9	96	999	22	1	87
April, 1919	2	6	1233	2331	1742	12	176	70	5	115	21	342	907	27	2	74
May, 1919	3	7	1211	2426	1747	21	180	51	.....	109	6	149	768	13	1	63
June, 1919	1	1	1337	4673	1459	4	104	49	.....	26	2	20	566	8	.....	125
TOTAL	75	140	32398	47142	18236	33	1503	645	328	811	284	1140	7250	187	31	1131

REPORT OF ALL CARLOADS OF COMMODITIES ORIGINATING AT MONTANA STATIONS
FOR FISCAL YEAR ENDED JUNE 30, 1919—(Continued).

	Oats	Rye	Wheat	Hay	Straw & Flax	Horses and Mules	Cattle	Sheep and Goats	Hogs	Wool	Logs	Lumber and Its Products	Poles, Posts and Piling	Wood, Cord & Slab	Brick & Clay Products	Copper
July, 1918.....	30		115	87	2	147	950	437	46	338	910	1115	505	128	345	480
August, 1918.....	17	24	887	187		84	2885	230	44	12	1078	1148	578	167	227	548
September, 1918.....	19	31	3053	242		102	3477	1088	53		836	785	442	154	187	525
October, 1918.....	27	9	3697	347	3	76	4222	1555	36		951	882	460	78	186	535
November, 1918.....	44	19	2370	460	28	69	3369	972	82		603	781	250	143	190	537
December, 1918.....	47	29	4578	795	27	38	1296	247	128		1013	732	451	183	266	481
January, 1919.....	34	48	1823	857	27	38	389	221	155		1189	824	380	191	109	284
February, 1919.....	30	5	1055	681	15	28	287	171	120		510	1521	260	166	118	180
March, 1919.....	94	29	968	922	3	148	445	409	106	1	668	1281	299	123	39	260
April, 1919.....	31	15	618	623		77	528	632	91		276	1009	262	118	134	225
May, 1919.....	68	10	429	391	1	41	610	148	65	1	993	1204	352	121	190	267
June, 1919.....	35	10	374	216		208	349	220	70	246	558	1592	216	106	204	229
TOTAL	536	229	20944	5813	81	1043	19411	6390	996	599	9583	12924	4465	1578	2195	4589

REPORT OF ALL CARLOADS OF COMMODITIES ORIGINATING AT MONTANA STATIONS
FOR FISCAL YEAR ENDED JUNE 30, 1919—(Continued).

	Concen- trates	Slag & Tail- ings	Ore	Lime	Lime Rock	Crushed Rock	Stone	Sand & Gravel	Stucco, Cement & Plaster	Scrap Tin & Iron	Sugar	Sugar Beets	Miscellaneous	Total
July, 1918	1235	1126	9881	16	682	31	45	121	163	92	15	.....	1386	31838
August, 1918	1522	1159	9476	36	509	37	179	177	147	89	66	.....	1438	33427
September, 1918	1447	939	8653	51	492	15	45	221	147	42	54	.....	1093	34037
October, 1918	1727	868	8631	164	501	16	21	97	145	57	28	644	1168	39324
November, 1918	1403	890	8194	19	460	31	155	74	59	33	14	1212	850	34562
December, 1918	1521	1348	9152	5	471	21	83	73	63	42	13	135	1078	34334
January, 1919	1176	637	8353	4	393	.....	5	65	80	45	28	14	2011	28972
February, 1919	610	119	4118	19	205	29	375	51	62	27	30	.....	1719	20041
March, 1919	749	172	5549	49	456	23	820	39	83	22	28	.....	1115	22338
April, 1919	803	187	4958	68	238	29	616	97	167	17	36	.....	741	20002
May, 1919	1022	266	4848	17	370	41	683	150	255	17	30	.....	968	20484
June, 1919	1025	278	4412	17	409	25	556	155	242	21	29	.....	787	20964
TOTAL	14240	7989	86225	465	5186	298	3583	1320	1613	504	371	2005	14564	340813

TRAIN ACCIDENTS AND PERSONAL INJURIES.

During the past year the Commission has been notified of and has investigated either on the ground at the scene of the accident, when practical to do so, or from testimony of witnesses, depending upon the nature of the casualty, the following train accidents, involving loss of life or personal injury to the extent that the services of a physician were required, in accordance with Section 16-a, Chapter 37, Laws of 1907:

	Passengers		Persons Carried Under Contract or Agreement		Employees		Tresprs.		Other Persons Non-Tresprs	
	K	I	K	I	K	I	K	I	K	I
Great Northern Railroad	13	.....	1	12	255	3	3	.....	2
Northern Pacific Railroad	13	.....	4	13	168	11	6	.....	5
Chicago, Milwaukee & St. Paul Railroad	1	.....	.....	3	108	2	4	.....	7
Oregon Short Line Railroad	1	.....	1	.....	12	.....	.....	.....	5
Chicago, Burlington & Quincy Railroad	1	.....	.....	1	14	1	1	.....	3
Butte, Anaconda & Pacific Railroad	1	5	.....	3	.....	4
Gilmore & Pittsburgh Railroad
Montana, Wyoming & Southern Railroad	2	1	.....	.....	.....
Gallatin Valley Railroad
White Sulphur Springs & Yellowstone Park R. R.	1	.....	.....	.....
Billings & Central Montana Railroad
Minneapolis, St. Paul & Sault Ste. Marie Railroad
Montana Western Railroad
TOTAL	1	34	1	9	30	560	19	17	11	24

SUMMARY OF ACCIDENTS.

The following is a summary report of accidents occurring in the operation of public utilities other than steam railroads, year ended September 30, 1919, as reported to the Commission in accordance with Section 27, Chapter 52, Laws of 1913:

NAME OF UTILITY	Employees		Other Than Employees	
	K	I	K	I
Missoula Street Railway Co.....		.....	1	.....
Montana Power Co.	2	.....	.....	.....
The Mountain States Telephone & Telegraph Co..	.....	3	.....	.....
Postal Telegraph-Cable Co. ....	.....	2	.....	.....
TOTAL	2	5	1	.....

CLAIMS ADJUSTED.

Complainant	Defendant	Commodity	From	To	Amount
Overcharge.					
H. H. Haight	C. M. & St. P.	Livestock	Bozeman, Mont.	Suffolk, Mont.	\$33.44
L. C. Larson	C. M. & St. P.	Hay	Johnston, Minn.	Winifred, Mont.	39.71
Henry Ehnes	C. M. & St. P.	Agri. Implements	Clifton, S. D.	Shonkin, Mont.	111.10
Jim Kease	Gt. Northern Ry.	Eng. Movables	Fessenden, N. D.	Antelope, Mont.	189.97
Sheridan Co. St. Bank	Gt. Northern Ry.	Wheat	Aurora, S. D.	Plentywood, Mont.	96.67
Ralph Reeve	Gt. Northern Ry.	Eng. Movables	Great Falls, Mont.	Dutton, Mont.	4.47
N. J. Tintinger	Gt. Northern Ry.	Live stock	Sand Oulce, Mont.	Hesper, Mont.	24.64
Henry Samulak	Gt. Northern Ry.	Furture	Froid, Mont.	Lehigh, Mont.	7.21
J. W. Wulf	G. N. Express	Eggs		Butte, Mont.	5.92
Loss and Damage.					
E. M. Dott	C. M. & St. P.	Household Goods	Marshall, Minn.	Shawmut, Mont.	9.05
Mrs. M. Metzger	Gt. Northern Ry.	Clothing	Great Falls, Mont.	Neilhart, Mont.	50.00
G. A. Dunn	G. N. Express	Watch	Hobson, Mont.	Oshkosh, Wis.	
Overcharge and Loss and Damage.					
Bozeman Milling Co.	C. M. & St. P.	Grain & Products	Various	Various	10,863.96
Joel Backlund	Gt. Northern Ry.	Household Goods	Seattle, Wash.	Garnet, Mont.	60.04
Miscellaneous.					
Billings Hdw. Co.	G. N. Express	Hardware	Billings, Mont.	Ahles, Mont.	30.00
Chas. Ertien	Gt. Northern Ry.	Meat Delivery			7.37
Farmers & Stkgrs Bank	C. M. & St. P.	Check			29.64

NAVIGATION.

Chapter 63, Session Laws of 1913, placed the general superintendence and control of navigation in Montana under the jurisdiction of the Railroad Commission, and Section 1 of said chapter provides that the Railroad Commission shall appoint some suitable person inspector of steam vessels, other boats propelled by machinery, sailing crafts, ferry boats and barges, other than private pleasure boats, on any of the navigable waters of the state. The Commission, since the enactment of the above chapter, has had in its employ such inspector who has performed the duties specified in the Act. The 16th Legislative Assembly, however, failed to make an appropriation to cover the salary of the inspector and on that account his services have been dispensed with.

Inasmuch as no inspections have been made of the boats and ferries operating in Montana no licenses and certificates have been issued by the Commission during the past year.

PART II
Public Service Commission .....	67

PUBLIC SERVICE COMMISSION.

During the past year, due to the increased cost of operation, many utilities have found it necessary to appeal to the Commission for relief in the matter of increased rates in order to pay operating expenses, fixed charges and insure a reasonable return upon the investment. During this period the Commission has held twenty-six formal hearings which were followed by complete investigations of the property and operating conditions, and issued a corresponding number of orders granting readjustments in rates, rules and regulations, as follows:

Electric	10
Street Railways	4
Gas	2
Telephone	1
Water	2
Heat	7
Total	26

The orders in the above proceedings are shown in detail in the following pages of his report.

In addition to the above, the Commission also passed upon and approved seventy-eight formal applications for readjustments of rates, rules and regulations, as follows:

Electric	31
Heat	3
Street Railways	1
Telephone	28
Water	13
Telegraph	2
Total	78

According to the provisions of Chapter 52, session laws of 1913, it was mandatory that all utilities should render an annual report to the Commission not later than the 15th day of September for each fiscal year ended June 30th. To comply with this provision it was found would work a hardship on municipally owned plants, due to the fact that the accounts of the municipalities were closed on April 30th and turned over to the newly elected officers on May first, and by rendering a report June 30th it placed the new officials at a disadvantage, as they had been in office only sixty days and were not thoroughly familiar with the accounts.

In regard to the reports of privately owned utilities, it was found that a great majority of them closed their accounts on the 31st of December, and compliance with the provisions of Chapter 52 necessitated dividing the year into two six months' periods, which involved a duplication of work at additional expense. Therefore, the legislature, at its last regular session, amended Section "e" of Chapter 52, session laws of 1913, so as to enable the municipally owned plants to close their accounts April 30th, and the privately owned plants December 31st, of each year.

However, due to many changes in accountants, this matter was not fully understood by the utilities and a limited number only complied with the law as amended. Therefore, we are unable to show in this report in detail the operating conditions of the utilities, but the information will be furnished in full in our next report. Any information required regarding the operation of any utility within the state will be promptly furnished by the Commission if application is made to it.

The name and location of all public utilities operating within the state are shown on the following list:

Water Utilities.

CITY	OWNER	TYPE
Alberton.....	Alberton Water Works.....	Gravity
Anaconda.....	Anaconda Copper Mining Co.....	"
Baker.....	Municipal	Pumping
Bearcreek.....	Bear Creek W. & L. Co.....	Gravity
Belgrade.....	Belgrade Water Co.....	"
Belt.....	Municipal	Pumping
Big Fork.....	Mountain States Power Co.....	"
Big Sandy.....	Municipal	"
Big Timber.....	Municipal	Pumping
Billings.....	Municipal	"
Bozeman.....	Municipal	Gravity
Bridger.....	Bridger W. & L. Co.....	Pumping
Broadview.....	Municipal	"
Butte.....	Butte Water Co.....	"
Cascade.....	Municipal	Gravity
Chester.....	Municipal	Pumping
Chinook.....	Municipal	"
Choteau.....	Municipal	"
Clyde Park.....	Municipal	Gravity
Columbia Falls.....	J. A. Talbott Water Co.....	"
Columbus.....	Municipal	Pumping
Conrad.....	Conrad City Water Co.....	"
Culbertson.....	Municipal	"
Cut Bank.....	Municipal	"
DeBorgia.....	Jos. Mayo	Gravity
Deer Lodge.....	Citizens Water Co.....	"
Deer Lodge.....	South Deer Lodge Water Co.....	"
Denton.....	Municipal	"
Dillon.....	Municipal	Gravity
Dodson.....	Municipal	"
Eureka.....	Municipal	Pumping
Forsyth.....	Municipal	"
Fromberg.....	Municipal	"
Ft. Benton.....	Municipal	"
Gardiner.....	Gardiner Electric L. & W. Co.....	"
Glasgow.....	Municipal	"
Glendive.....	Municipal	"
Great Falls.....	Little Chicago W. W. (A. C. M. Co.).....	"
Great Falls.....	Municipal	"
Hamilton.....	Missoula L. & W. Co. (Branch).....	Gravity
Hardin.....	Municipal	Pumping
Harlem.....	Municipal	"
Harlowton.....	Municipal	"
Havre.....	Municipal	"
Helena.....	Municipal	Gravity
Hinsdale.....	Hinsdale Improvement District.....	Pumping
Hysham.....	Hysham Improvement District.....	"
Joliet.....	Municipal	Gravity
Judith Gap.....	Municipal	Pumping
Kallispell.....	Mountain States Power Co.....	"
Kallispell.....	Municipal	"
Laurel.....	Municipal	"
Lewistown.....	Municipal	"
Libby.....	Libby Water & Electric Co.....	Gravity
Lima.....	O. S. L. R. R.	"
Livingston.....	Monidah Trust Co.....	Pumping
Livingston.....	Municipal	"
Malta.....	Municipal	"
Manhattan.....	Municipal	"
Marysville.....	Beuschlein Water Works.....	Gravity
Medicine Lake.....	Municipal	Pumping
Melstone.....	Municipal	"
Miles City.....	Municipal	Pumping
Missoula.....	Missoula Light & Water Co.....	Gravity
Moore.....	Municipal	Pumping
Paradise.....	Northwestern Imp. Co.....	"
Phillipsburg.....	Municipal	Gravity
Plains.....	Plains Light & Water Co.....	"
Plentywood.....	Municipal	Pumping
Polson.....	Municipal	"
Pony.....	Norris State Bank & Mendenhall.....	Gravity
Poplar.....	Municipal	Pumping
Red Lodge.....	Municipal	Gravity
Roundup.....	Municipal	Pumping

Water Utilities (Continued.)

CITY	OWNER	TYPE
Ronan.....	Municipal	Pumping
Saco.....	Improvement District	
Saltese.....	Saltese Electric L. & W. Co.....	Gravity
Saltese.....	Saltese Water Co.	"
Scobey.....	Municipal	
Shelby.....	Municipal	Pumping
Sheridan.....	Municipal	Gravity
Sidney.....	Municipal	Pumping
Somers.....	Somers Lumber Co.....	
Stevensville.....	Municipal	Gravity
St. Regis.....	Ed. F. Riberdy.....	
Superior.....	Superior Electric L. & W. Co.....	Gravity
Thompson Falls.....	Thompson Falls Water Co.....	"
Three Forks.....	Municipal	Pumping
Townsend.....	Municipal	
Troy.....	Municipal	Pumping
Twin Bridges.....	Municipal	
Two Dot.....	Big Elk Water Co.....	"
Valier.....	Municipal	"
Virginia City.....	Virginia City Water Co.....	Gravity
Whitefish.....	Municipal	Pumping
Whitehall.....	Municipal	
W. S. Springs.....	Municipal	Gravity
Wibaux.....	Municipal	Pumping
Williams.....	Williams W. & L. Plant.....	
Wolf Point.....	Municipal	"

Electric Utilities.

CITY	OWNER	TYPE
Absarokee.....	Reber Lighting & Power Co.....	Oil
Alder.....	Montana Power Co.....	Sub-station
Alhambra.....	Montana Power Co.....	"
Anaconda.....	Anaconda Copper Mining Co.....	"
Antelope.....	C. B. Hoven.....	Oil
Bainville.....	Interstate Electric Co.....	Oil
Baker.....	Baker Light & Power Co.....	Steam
Bearcreek.....	Bear Creek W. & L. Co.....	Hydro-Oil
Belgrade.....	Montana Power Co.....	Sub-station
Belt.....	Montana Power Co.....	"
Big Fork.....	Mountain States Power Co.....	Hydro-electric
Big Sandy.....	Montana Power Co.....	Sub-station
Big Timber.....	Montana Power Co.....	"
Billings.....	Montana Power Co.....	"
Boulder.....	Montana Power Co.....	"
Box Elder.....	Montana Power Co.....	"
Bozeman.....	Montana Power Co.....	"
Bridger.....	Bridger Water & Light Co.....	Steam
Broadview.....	Mutual State Bank.....	
Butte.....	Montana Power Co.....	Sub-station
Carter.....	Montana Power Co.....	"
Cascade.....	Montana Power Co.....	"
Chinook.....	Municipal.....	Steam
Choteau.....	Montana Power Co.....	Sub-station
Clancy.....	Montana Power Co.....	"
Columbia Falls.....	Mountain States Power Co.....	"
Columbus.....	Montana Power Co.....	"
Conrad.....	Montana Power Co.....	"
Corvallis.....	Missoula Light & Water Co.....	Hydro-electric
Culbertson.....	A. Donaldson.....	Kerosene
Cut Bank.....	Cut Bank Electric L. & P. Co.....	
Deer Lodge.....	Deer Lodge Electric Co.....	Steam
Dillon.....	Union Electric Co.....	Hydro-electric
Dodson.....	Municipal.....	
Dooley.....	Dooley Electric Light Plant.....	Gas
Drummond.....	Drummond Light & Power Co.....	Gas
Eureka.....	Eureka Lumber Co.....	Steam
Fairview.....	Jennison Light & Power Co.....	Steam
Flaxville.....	Swenson Bros. Electric Co.....	Oil
Florence.....	Missoula Light & Water Co.....	Sub-station
Forsyth.....	Forsyth Electric L. & P. Co.....	Steam
Froid.....	Interstate Electric Co.....	Oil
Fromberg.....	Montana Power Co.....	Sub-station
Fort Benton.....	Montana Power Co.....	"
Gardiner.....	Gardiner Electric L. & W. Co.....	Hydro-electric
Geraldine.....	Geraldine Electric Co.....	Oil
Geysers.....	Montana Power Co.....	Sub-station
Glasgow.....	Municipal.....	Steam and Oil
Glendive.....	Eastern Montana L. & P. Co.....	Steam
Great Falls.....	Great Falls Power Co.....	Hydro-electric
Gregson.....	Montana Power Co.....	Sub-station
Hamilton.....	Missoula Light & Water Co.....	Sub-station
Hardin.....	Hardin Electric L. & P. Co.....	Steam
Harlem.....	Harlem Citizens Electric Co.....	Oil
Harlowton.....	Harlowton L. & W. Co.....	Steam
Harlowton.....	Montana Power Co.....	Sub-station
Havre.....	Montana Power Co.....	"
Helena.....	Helena Light & Ry Co.....	"
Hinsdale.....	Municipal.....	Oil
Hobson.....	Montana Power Co.....	Sub-station
Homestead.....	Interstate Electric Co.....	Gas
Hysham.....	Municipal.....	Oil
Joliet.....	Montana Power Co.....	Sub-station
Joplin.....	Joplin Light & Power Co.....	Gas
Judith Gap.....	Montana Power Co.....	Sub-station
Kalispell.....	Mountain States Power Co.....	Hydro
Kendall.....	Barnes King Development Co.....	Hydro
Laurel.....	Montana Power Co.....	Sub-station
Laurin.....	Montana Power Co.....	"
Lehigh.....	Montana Power Co.....	"
Lewistown.....	Montana Power Co.....	Hydro-electric
Libby.....	Libby Water & Electric Co.....	"
Lima.....	O. S. L. R. R.....	
Livingston.....	Montana Power Co.....	Sub-station
Logan.....	Montana Power Co.....	"

Electric Utilities (Continued.)

CITY	OWNER	TYPE
Lo Lo.....	Missoula L. & W. Co.....	"
Madoc.....	Madoc Electric Co.....	(Discontinued)
Malta.....	Malta Light & Power Co.....	Oil
Manhattan.....	Montana Power Co.....	Sub-station
Marysville.....	Montana Power Co.....	"
Medicine Lake.....	Interstate Electric Co.....	Oil
Melstone.....	Municipal.....	
Miles City.....	Municipal.....	Steam
Missoula.....	Missoula L. & W. Co.....	Hydro
Moccasin.....	Montana Power Co.....	Sub-station
Mondak.....	Mondak Electric Co.....	Oil
Moore.....	Montana Power Co.....	Sub-station
Musselshell.....	Musselshell Electric Light Plant.....	Oil
Neihart.....	Neihart Water Co.....	Hydro-electric
Ollie.....	Ollie Light & Power Co.....	Steam
Outlook.....	Outlook Electric Light Plant.....	Gas
Pablo.....	Flathead Valley Electric Co.....	Sub-station
Park City.....	Montana Power Co.....	
Phillipsburg.....	Bowen Bros. E. L. & P. Plant.....	Hydro-electric
Plains.....	Plains Light & Water Co.....	Sub-station
Plentywood.....	Plentywood Electric Co.....	Steam
Polson.....	Mission Range Power Co.....	Hydro-electric
Pony.....	Pony Electric Light Co.....	"
Poplar.....	Speed Electric Co.....	Steam
Radersburg.....	Montana Power Co.....	Sub-station
Red Lodge.....	Northwestern Improvement Co.....	Steam
Redstone.....	E. R. Hanson.....	Oil
Rocker.....	Montana Power Co.....	Butte
Ronan.....	Flathead Valley Electric Co.....	Sub-station
Roundup.....	Montana Power Co.....	Steam
Saco.....	Saco Electric Light Plant.....	Oil
Saltese.....	Saltese Electric L. & Water Co.....	Hydro
Sand Coulee.....	Montana Power Co.....	Sub-station
Scobey.....	The Public Service Co.....	Oil
Shelby.....	J. A. Johnson.....	
Sidney.....	Eastern Montana L. & P. Co.....	Sub-station
Superior.....	Superior Electric L. & W. Co.....	Hydro
Sheridan.....	Montana Power Co.....	Sub-station
Standford.....	Montana Power Co.....	"
Stevensville.....	Missoula Light & Water Co.....	"
Terry.....	Terry Light & Power Co.....	Steam
Thompson Falls.....	Thompson Falls Power Co.....	Hydro-electric
Three Forks.....	Montana Power Co.....	Sub-station
Townsend.....	Montana Power Co.....	"
Troy.....	Kootenai Light & Power Co.....	Hydro-electric
Twin Bridges.....	Montana Power Co.....	Sub-station
Two Dot.....	W. Lindsay.....	
Valier.....	Valier Townsite Co.....	Steam
Victor.....	Missoula Light & Water Co.....	Steam
Virginia City.....	Economy Power Co.....	Hydro-electric
Westby.....	P. A. Johnson.....	Oil
Whitefish.....	Mountain States Power Co.....	Sub-station
Whitehall.....	Montana Power Co.....	"
W. S. Springs.....	White Sulphur Springs Electric Co.....	Hydro-electric
Whitetail.....	C. Earl Warwick.....	Gas
Wibaux.....	Eastern Montana L. & P. Co.....	Oil
Willow Creek.....	Willow Creek Development Co.....	Oil
Williams.....	Williams W. & L. Plant.....	Gas
Windham.....	Montana Power Co.....	Sub-station
Wolf Point.....	Wolf Point Electric L. & P. Co.....	Steam

Heating Utilities.

CITY	OWNER	TYPE
Billings.....	Billings Utility Co.....	Hot Water
Butte.....	Montana Power Co.....	Steam
Forsyth.....	Forsyth E. L. & P. Co.....	Steam
Glendive.....	Eastern Montana L. & P. Co.....	Steam
Hamilton.....	Valley Merc. Co.....	Steam
Havre.....	Montana Power Co.....	(Discontinued)
Livingston.....	National Park Laundry Co.....	
Miles City.....	Municipal	Steam
Missoula.....	Missoula Light & Water Co.....	Steam

Gas Utilities.

CITY	OWNER	TYPE
Baker.....	Montana Petroleum Co.....	Natural Gas
Billings.....	Billings Gas Co.....	Water Gas
Butte.....	Montana Power Co.....	Coal Gas
Glendive.....	Eastern Mont. Oil & Gas Co.....	Natural Gas
Great Falls.....	Great Falls Gas Co.....	Coal & Water Gas
Havre.....	Havre Natural Gas Co.....	Natural Gas
Helena.....	Helena Light & Ry Co.....	Coal & Water Gas
Miles City.....	Montana Petroleum Co.....	Natural Gas
Missoula.....	Missoula Gas Co.....	Coal Gas

Street Railway Utilities.

CITY	COMPANY
Anaconda	Anaconda Copper Mining Co.
Billings	Billings Traction Co. (Not operating)
Bozeman	Gallatin Valley Railway
Butte	Butte Electric Railway Co.
Great Falls	Great Falls Street Railway (M. P. Co.)
Helena	Helena Light & Railway Co.
Missoula	Missoula Street Railway

Telegraph Companies.

COMPANY	MAIN OFFICE
Continental Telegraph Co.....	Milwaukee
Postal Telegraph-Cable Co.....	New York
Western Union Telegraph Co.	New York

Telephone Utilities.

INDEPENDENT COMPANIES		Mountain States Tel. & Tel. Co.
MUNICIPALITY	COMPANY	LOCATION
Absarokee.....	Absarokee Telephone Co.	Anaconda
Alder.....	Ruby Valley Telephone Co.	Basin
Alma.....	Farmers Mutual Tel. Co. of Hill Co.	Belgrade
Antelope.....	Antelope Telephone Co.	Belt
Armstead.....	Lemhi Telephone Co.	Billings
Baker.....	Big Hill Telephone Co.	Boulder
Baker.....	Golden Val. Tel. Co., Beach, N. D.	Bozeman
Ballantine.....	Home op Telephone Co.	Bridger
Belfry.....	Clark Fork Farmers Tel. Co.	Butte
Belgrade.....	Dry Creek Telephone Co.	Cardwell
Belgrade.....	Pass Creek Telephone Co.	Cascade
Belgrade.....	Springhill Telephone Co.	Choteau
Belt.....	Belt-Tiger Butte Tel. Co. (Mutual)	Clyde Park
Big Fork.....	Mountain States Power Co.	Columbus
Big Sandy.....	Chouteau County Telephone Co.	Conrad
Big Timber.....	Big Timber Home Tel. Co.	Culbertson
Big Timber.....	Boulder Line No. 3	Darby
Broadview.....	Farmers Mutual Telephone Co.	Deer Lodge
Broadview.....	Treasure State Telephone Co.	Denton
Browning.....	St. Mary's & International Tel. Co.	Dillon
Buffalo.....	Farmers' Mutual Telephone Co.	Dixon
Carlyle.....	Beaver Valley Telephone Co.	Drummond
Cascade.....	Cascade Telephone Co. (Mutual)	Forsyth
Cascade.....	Chestnut Valley Telephone Co.	Fromberg
Cascade.....	Rural Telephone Co.	Fort Benton
Cascade.....	Sullivan Valley Telephone Co.	Geraldine
Chester.....	Chester Telephone Co.	Glasgow
Chester.....	Marias River Telephone Co.	Glendive
Chinook.....	Chinook-Cleveland Telephone Co.	Great Falls
Chinook.....	North Fork Telephone Co.	Hamilton
Columbia Falls.....	Mountain States Power Co.	Hardin
Creston.....	East Side Telephone Co.	Harlowton
Culbertson.....	South Side Co-op. Telephone Co.	Helena
Cut Bank.....	Cut Bank Telephone Co.	(General)
Cut Bank.....	Pleasant Valley Telephone Co.	Helena
Darby.....	Darby-Wisdom Telephone Co.	(Toll Rates)
Dell.....	Dell Telephone Co.	Helena
Dillon.....	East Side Telephone Co.	Hilger
Dillon.....	Southern Mont. Telephone Co.	Hinsdale
Dillon.....	West Side Telephone Co.	Hobson
Dixon.....	Flathead Independent Telephone Co.	Joliet
Ekalaka.....	Ekalaka Telephone Co.	Joplin
Eureka.....	Eureka Telephone Co.	Kila
Fairview.....	Sioux Pass Farmers Tel. Co.	Kremlin
Farmington.....	Farmington Co-op. Tel. Co. (Mutual)	Laurel
Fife.....	Fife-Wayne Farmers Tel. Co.	Lewistown
Flshtail.....	West Rosebud Co-Op. Telephone Co.	Livingston
Flowerree.....	Flowerree Mutual Telephone Co.	Logan
Froid.....	Farmers Telephone Co.	Malta
Froid.....	Froid Telephone Exchange	Manhattan
Fort Benton.....	Benton-Highwood Telephone Co.	Medicine Lake
Fort Benton.....	Pleasant Val. Farmers Tel. Co.	Miles City
Glendive.....	Pioneer Telephone Co.	Missoula
Grass Range.....	Grass Range Telephone System	Mondak
Hall.....	Hall Telephone Co.	Moore
Havre.....	Montana Power Co.	Philipsburg
Havre.....	Havre-Box Elder Tel. Co.	Plains
Hill.....	Sweet Grass Hills Tel. Co.	Plentywood
Hingham.....	Hingham Telephone Co.	Poplar
Hot Springs.....	The Hot Springs Tel. Co.	Red Lodge
Hysham.....	Independent Telephone Co.	Roundup
Intake.....	Intake Telephone Co.	Saco
Inverness.....	Farmers Telephone Co.	Salesville
Ismay.....	Golden Valley Telephone Co.	Scobey
Joliet.....	Carbon Co. Farmers Tel. Co.	Shelby
Judith Gap.....	Judith Gap Telephone Co.	Sheridan
Judith Gap.....	Western Farmers Mutual	Sidney
Kallispell.....	Mountain States Power Co.	Stanford
Lambert.....	Three Buttes Co-op. Tel. Co.	Stevensville
Lavina.....	Lavina Mutual Telephone Co.	Terry
Libby.....	Libby-Troy Telephone Co.	Thompson Falls
Lindsay.....	Farmers Mutual	Three Forks

Telephone Utilities (Continued.)

INDEPENDENT COMPANIES		Mountain States Tel & Tel. Co.
MUNICIPALITY	COMPANY	LOCATION
Malta.....	Malta-Zortman Telephone Co.	Townsend
Manhattan.....	Gallatin-Madison Telephone Co.	Twin Bridges
Marysville.....	Inter-Mountain Telephone Co.	Victor
McLeod.....	Boulder Telephone Line	Virginia City
Melville.....	Northern Telephone Line	Whitehall
Miles City.....	Miles City-Ekalaka Tel. Co.	Wolf Point
Miner.....	Miner Rural Telephone Co.	
Missoula.....	Flathead Ind. Tel. Co. (General)	
Moccasin.....	Farmers Mutual Telephone Co.	
Musselshell.....	Musselshell Tel. Exchange.	
Norris.....	Bozeman-Norris Telephone Co.	
Norris.....	Citizens Telephone Co.	
Ollie.....	Beaver Valley Telephone Co.	
Ovando.....	Blackfoot Commercial Co.	
Phillpsburg.....	Flint Creek Telephone Co.	
Pinto.....	Powder River Telephone Co.	
Plevna.....	Lame Jones Telephone Co.	
Polson.....	Mountain States Power Co.	
Pony.....	Citizens Telephone Co.	
Potomac.....	Potomac Telephone Co.	
Power.....	Plainview Telephone Co.	
Reed Point.....	Reed Point Telephone Co.	
Rosebud.....	Rosebud Mutual Tel. Co.	
Rudyard.....	Goldstone-Rudyard, Brinkman Tel. Co.	
Ryegate.....	Central Montana Telephone Co.	
Savage.....	Midway Telephone Co.	
Sheridan.....	Mill Creek Tel. Co. (Mutual)	
Silesia.....	Carbon Co. Farmers Tel. Co.	
Simms.....	Simms Telephone Co.	
Somers.....	Mountain States Power Co.	
Springdale.....	Duck Creek Telephone Co.	
Stevensville.....	Sage Brush Telephone Co.	
St. Ignatius.....	Flathead Independent Tel. Co.	
Superior.....	A. P. Johnson	
Three Forks.....	Farmers Telephone Co.	
Troy.....	Libby-Troy Telephone Co.	
Townsend.....	Upper Valley Telephone Co.	
Troy.....	Troy Telephone Co.	
Valler.....	Francis Heights Telephone Co.	
Whitefish.....	Mountain States Power Co.	
W. S. Springs.....	Springs Exchange	
Wibaux.....	Eastern Montana Light & Power Co. (Glendive)	
Wilsall.....	East Flathead Telephone Co.	
Wilsall.....	Wilsall Telephone Co.	
Winnett.....	Burt Slaters	
Wise River.....	Dewey Telephone Co.	
Worden.....	Riverside Telephone Co.	

The following orders, pertaining to public utility matters, were issued by the Commission during the past year:

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Montana Power Company, a Corporation, for Authorization and Permission to Discontinue Service and Abandon Operation of Its Heating Plant in the City of Havre, Montana.

DOCKET NO. 686.

**CONFERENCE JUNE 12, 1919.
DECIDED JUNE 14, 1919.**

**SUPPLEMENTAL REPORT AND ORDER
Number 247.**

Pursuant to notice issued to the consumers and the respective counsel who entered their appearance on the date of the original hearing of the above-entitled proceeding, a conference was duly held in the chambers of the Commission, and the following appearances were entered:

APPEARANCES:

John A. Groeneveld,
For the Montana Power Company.
No one appeared for the Consumers.

COMMISSIONERS:

Boyle,
McCormick,
Dennis.

November 20, 1918, the Commission issued its Order No. 247, which in part provided that if the Montana Power Company, the petitioner in the above-entitled proceeding, was unable at the close of the heating season of 1918-1919 to secure a sufficient number of yearly contracts at rates which would guarantee operating expenses, taxes, depreciation and a reasonable return on the investment, the application of the petitioner to discontinue service and to abandon its heating plant at Havre, Montana, would be granted.

June 5, 1919, The Montana Power Company made an application to the Commission for supplementary findings and order in the above proceeding, and a notice was issued that the petitioner would appear at the offices of the Commission for the purpose of presenting facts to show that the company had complied with the provisions of Order No. 247, issued by the Commission November 20, 1918. Service of this notice was made upon counsel of record in this proceeding. June 12, 1919, counsel for the petitioner, The Montana Power Company, appeared before the Commission, but the consumers were not represented. Documentary evidence and affidavits were presented on the date of the conference by the heating company to show that the company had complied with the provisions of Order No. 247, and especially that a conscientious effort had been made by the company to secure a sufficient number of yearly contracts for the ensuing heating season, at rates which would guarantee operating expenses, taxes, depreciation and a reasonable return on the investment, but that it had failed in its efforts in this respect, and consequently prayed for a supplemental order ratifying, approving and confirming the said Order No. 247 as final.

FINDINGS.

The Commission, having carefully considered the facts presented before it on the questions involved in this proceeding, finds that The Montana Power Company, the petitioner in the original proceedings under Docket No. 686, has been and was unable to secure a sufficient number of yearly contracts for heating service for the season of 1919-1920, in accordance with the provisions of Report and Order No. 247, at or before the close of the heating season of 1918-1919, and, further, that the petitioner, The Montana Power Company, has complied with the provisions of said order, dated November 20, 1918.

ORDER.

This proceeding being heard upon the files, pleadings and records under Docket No. 686, and upon additional facts and figures herein on file, and the Commission having made its investigation upon the matters and things involved.

IT IS THEREFORE ORDERED That the said Report and Order No. 247, issued November 20, 1918, be and the same is hereby ratified, approved and confirmed as final, and that the petitioner, The Montana Power Company, be and is hereby authorized to discontinue its heating service and abandon the operation of its heating plant in the City of Havre, Montana, said discontinuance of service and abandonment of operation to be effective on and after June 14, 1919.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Supplemental Report and Order upon the interested parties hereto.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA, Helena, Montana, June 16, 1919.	W. J. HAYNES, Secretary.
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of the Butte Electric
Railway Company for an Increase in Rates and Fares,
and for Permission to file and Publish the Same.**

DOCKET NO. 692.

**SUPPLEMENTAL REPORT AND ORDER
Number 250.**

Report and Order No. 250 having been heretofore entered in the above entitled matter on the 30th day of November, 1918, and said order directing that the Butte Electric Railway Company file, not later than the 5th day of December, 1918, an amended schedule providing for the following rates:

Adults six cents; children and mail carriers on duty three cents,

and said utility having on December 5, 1918, filed with the Commission a petition asking that the Commission amend the previous order by striking therefrom all reference to the tariff for "children and mail carriers on duty three cents," and "all reference to two and one-half cent fares," and that the Commission modify said order so as to provide a ticket fare of six cents for such service as has heretofore been provided for five cents, and to provide a cash fare of seven cents, and said petition being before the Commission for action.

The Commission after full consideration of the showing heretofore made by the utility on its original application for a rate increase, determined that a six cent fare was, so far as we could judge, adequate for the present needs of the utility, and would impose the least possible burden upon the patrons of the utility. The Commission, therefore, allowed the utility a six cent fare, and at this time we see no reason for increasing the same. The sufficiency of this rate obviously cannot be determined until a more extended trial thereof has been had.

Therefore, so much of the foregoing petition as has requested the modification of the above order to provide a cash fare of seven cents, shall be and the same is hereby denied.

The order above referred to directed the utility to file a schedule of three cents for children and mail carriers on duty. It was assumed by the Commission that such persons should be entitled to receive a "half fare" and the same was therefore fixed at one-half the rate granted. The Commission is, however, entirely willing that the two and one-half cent fare previously in force for children and mail carriers should be restored.

IT IS THEREFORE ORDERED That within twenty (20) days from the date of the receipt by it of this order, the Butte Electric Railway Company shall file with the Commission, in duplicate, an amended schedule providing for the following rates:

Children and mail carriers on duty two and one-half cents.

All other rates, rules, and regulations to remain in full force and effect in accordance with the previous orders of this Commission.

IT IS FURTHER ORDERED That within the time aforesaid, the said company shall file in duplicate with this Commission a complete schedule of all rates fixed by it (as amended by this and previous orders of the Commission) for passenger transportation, and also all rules and regulations adopted by the utility governing the same.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,	
Helena, Montana,	CHAS. P. COTTER,
December 19, 1918.	Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of the Missoula Street
Railway Company for an Increase in Street Car Fares
and a Modification of Its Rules and Regulations in the
City of Missoula and Vicinity.**

DOCKET NO. 682.

**HEARING JULY 1, 1918.
DECIDED DECEMBER 4, 1918.**

**REPORT AND ORDER
Number 251.**

Hearing was regularly held at Missoula, Montana, July 1, 1918, at ten o'clock A. M., with the following appearances:

APPEARANCES:

J. C. Phillips,
W. M. Bickford,
W. L. Murphy,
For the Applicant.
Frank Woody,
John L. Campbell,
For the City of Missoula.
Madden & Cameron,
A. Besancon,
Chas. A. Russell,
For B. A. Van Wormer, et al.
A. A. Grorud,
For the Commission.
Commissioner Boyle.

The Missoula Street Railway Company, June 3, 1918, filed an amended schedule of rates and regulations. The rates proposed to be modified were as follows:

- Within the limits of the City of Missoula from five cents to seven and one-half cents, or ten cents with transfer privileges;
- Missoula to East Missoula ten cents straight fare;
- Missoula to Riverside, West Riverside and Milltown, fifteen cents straight fare;
- Missoula to Bonner, twenty cents straight fare.

In addition the following new rates were proposed:

- From the East Line of Fort Missoula Reservation to Missoula, seven and one-half cents or ten cents with transfer privileges, excepting persons engaged in military service;
- Missoula to Fair Grounds, ten cents, or a transfer and five cents;
- Missoula to Sugar Factory, ten cents or a transfer and two and one-half cents;
- Missoula to Cemetery, ten cents.

Special rates were provided for students. In addition, regulations were prescribed and freight rates promulgated on the various lines. The utility offered testimony to the effect that operating revenues were not sufficient to meet the operating expenses, together with interest charges and depreciation, and that an increase in fares was imperative.

The Missoula Street Railway Company was incorporated and commenced operating in 1910. Lines are maintained in the city proper, to Fort Missoula, sugar factory, fair grounds, university, and an interurban line to Bonner, a distance of seven miles. The approximate mileage of the entire system is 221½ miles.

The utility shows that the cost of the road was \$609,000.00, and that the cost of the equipment was \$94,000.00, or a total investment of \$703,000.00. It maintains that the reproduction costs at the present time would be very much higher than the cost of the property originally. This statement was based upon the cost of labor having advanced from 33 per cent to 50 per cent and materials from 60 per cent to 200 per cent. It is alleged that the entire \$650,000.00 secured through the sale of bonds and capital stock was invested in the construction and equipment of the road. An additional \$35,000.00 was borrowed on notes and invested in construction of new extensions.

The capital stock of the Missoula Street Railway Company is \$325,000.00, with a bonded indebtedness of \$325,000.00. The balance sheets from June 30, 1915, to May 31, 1918, disclose the following statement:

ASSETS	June 30, '15	June 30, '16	June 30, '17	May 31, '18
Road & Equipment.....	\$660,352.56	\$666,990.52	\$696,507.70	\$703,773.25
Materials	12,819.63	12,865.73	11,400.70	10,802.23
Accounts Receivable	816.55	402.40	977.20	659.81
Cash	1,997.38	954.57	3,837.63	11,982.15
TOTAL	\$675,986.12	\$681,213.22	\$712,723.23	\$727,217.44
DEFICIT	49,168.18	67,635.13	78,001.43	90,494.50
LIABILITIES				
Capital Stock	\$325,000.00	\$325,000.00	\$325,000.00	\$325,000.00
Bonds	325,000.00	325,000.00	325,000.00	325,000.00
Notes Payable	10,000.00	20,541.66	35,000.00	35,000.00
Accounts Payable	4,845.85	3,328.45	4,784.78	4,493.19
Accrued Interest (Bonds).....		499.98	8,680.56	23,750.00
Depreciation Reserve	56,940.60	71,507.25	85,119.82	96,195.01
Accident Reserve	3,367.85	2,971.01	7,139.50	8,273.74
TOTAL	\$725,154.30	\$748,848.35	\$790,724.66	\$817,711.94

It will be noted from the above that the deficit on the latter date was \$90,494.50. This deficit has been gradually

increased, as shown in the income account set forth in detail, as follows:

	12 Mos. Ending 6-30-1915	12 Mos. Ending 6-30-1916	12 Mos. Ending 6-30-1917	11 Mos. Ending 5-31-1918
REVENUES				
Transportation	\$73,687.55	\$72,294.25	\$83,763.15	\$80,732.10
Other	1,068.00	708.00	1,000.00	3,873.86
TOTAL	\$74,755.55	\$73,002.25	\$84,763.15	\$84,605.96
EXPENSES				
Operating	\$53,751.54	\$55,780.96	\$58,417.51	\$62,810.62
Depreciation	13,968.00	14,874.00	15,175.20	14,328.95
Taxes	3,392.17	3,522.60	3,624.24	3,599.49
TOTAL	\$71,111.71	\$74,177.56	\$77,216.95	\$80,739.06
NET REVENUES	\$ 3,643.84	\$ 1,175.31	\$ 7,546.20	\$ 3,866.90
Interest Charges	16,250.00	1,041.64	1,682.50	1,604.14
		16,250.00	16,250.00	14,895.85
DEFICIT	\$12,606.16	\$16,116.33	\$10,366.30	\$12,633.09

The utility maintained that it had endeavored in every manner to economize and formulate schedules that would reduce the operating expenses, but that further curtailment would impair the service. It was estimated that the increase requested would not give sufficient return but the utility stated that it only desired that the public share a portion of the burden. Witnesses of the petitioner were subjected to a very thorough cross-examination, and protests were entered in the record on behalf of various patrons of the line.

FINDINGS.

The Missoula Street Railway Company is a separate and distinct organization and its book accounts and records are kept entirely separate from those of the Missoula Electric Light and Water Company.

According to the testimony, the company does not ask for rates that will guarantee a fair return on the investment, but only a sufficient increase in the rates to meet operating expenses and fixed charges during these abnormal times. With the above request in view, and giving due consideration to the amount written off for depreciation during the past six years, which shows a yearly average of 2.15 per cent on the investment, the Commission felt that a physical valuation of the property at his time would entail a needless expense, besides placing a false valuation upon the plant, under prevailing prices, for future calculations and rate-making purposes under normal conditions.

An examination of the book accounts disclosed that the records are kept in accordance with the standard classification of accounts prescribed by this Commission for electric railways. The street railway system is modern throughout, well constructed, has up-to-date equipment, and renders high class service when consideration is given to the amount of traffic and the population served.

The following statement shows the book valuation 1914-1918; also the yearly depreciation and percentage of valuation:

	Valuation	Depreciation	Per Cent of Valuation
1914.....	\$652,626.76	\$13,967.77	2.14
1915.....	660,352.56	13,968.00	2.11
1916.....	666,990.52	14,874.00	2.23
1917.....	696,507.70	15,175.20	2.18
1918.....	703,824.07	15,650.10	2.22
Exhibit.....	703,773.25	14,328.95	2.04

It was computed from standard rates of depreciation in the Helena Light and Railway case that a street railway of this character should be allowed a depreciation of about four per cent to maintain its plant. It should be understood, however, that in the Helena case the Commission, in allowing four per cent for future depreciation, took into consideration the age of the Helena plant. The per cent of depreciation charged by the Missoula company then would not seem to be exorbitant. If the valuation, as reported, is greater than it should be, this low depreciation charge would compensate for an over-valuation of 50 per cent or more.

STATEMENT SHOWING DETAILED REVENUES AND OPERATING EXPENSES FOR THE PAST FIVE YEARS.

	ANNUAL REVENUES				1918
	1914	1915	1916	1917	Complete
Passenger Revenue.....	\$76,923.80	\$72,114.50	\$70,538.45	\$81,784.50	\$86,649.00
Special Car Revenue.....	88.75	228.95	130.80	235.30	269.90
Express Revenue.....	1,409.75	1,344.10	1,625.00	1,743.35	1,668.00
Freight Revenue.....					1,359.96
Station & Car Privileges	780.00	748.00	588.00	872.00	427.35
Rent from Land & Bldgs	120.00	120.00	120.00	128.00	60.00
Misc. Rev. from Opera...	104.15	200.00			743.75
TOTAL	\$79,426.45	\$74,755.55	\$73,002.25	\$84,763.15	\$91,177.96
	ANNUAL EXPENSES				
Way and Structures.....	\$3,607.25	\$3,817.58	\$5,802.78	\$6,203.96	\$8,451.88
Equipment	5,716.88	5,105.37	5,717.88	7,807.44	10,680.40
Traffic	810.49	555.17	547.10	275.25	354.40
Conducting Trans'tation	37,292.05	34,470.79	33,380.59	33,716.87	36,774.16
General	6,547.89	6,159.38	5,744.43	5,852.39	6,151.67
Undistributed	3,659.12	3,643.25	4,588.18	4,561.60	4,856.90
Depreciation	13,967.77	13,968.00	14,874.00	15,175.20	15,650.10
Taxes	3,400.68	3,392.17	3,522.60	3,624.24	3,929.49
TOTAL	\$75,002.13	\$71,111.71	\$74,177.56	\$77,216.95	\$86,849.00
Gross Income Available for interest on \$325,000 bonded debt, dividends on capital stock and other requirements.....	\$4,424.32	\$3,643.84	\$1,175.30	\$7,546.20	\$4,328.96

Due to present abnormal conditions the following comparative statement for four months discloses a decided decrease in passenger revenues in 1918:

Passenger Revenue	May		June	
	1917	1918	1917	1918
Daly Addition Line.....	\$1441.75	\$1456.35	\$1425.80	\$1409.20
Residence Addition Line.....	1179.65	1470.65	919.85	1233.98
Cross Town Line.....	1734.65	1194.98	1763.15	1086.52
Fort Missoula Line.....	534.48	475.32	512.40	430.70
Bonner Line.....	2094.22	1953.45	2310.40	1997.40
TOTAL	\$6984.75	\$6550.75	\$6931.60	\$6159.80

Passenger Revenue	July		August	
	1917	1918	1917	1918
Daly Addition Line.....	\$2402.20	\$1955.52	\$1503.95	\$1428.02
Residence Addition Line.....	1165.80	1134.48	854.10	1000.18
Cross Town Line.....	2004.70	1200.62	2035.77	1244.93
Fort Missoula Line.....	597.68	451.23	501.85	555.87
Bonner Line.....	2307.67	2132.40	1928.93	1892.50
TOTAL	\$8478.05	\$6874.25	\$6824.60	\$6121.50

Decrease for the four months, \$3512.70.

Percentage of Decrease, 13.66%.

Taking into consideration the decrease of 13.66 per cent in passenger earnings during the months of May, June, July and August, 1918, and assuming that the business will not improve during the winter months owing to the present epidemic, which has a tendency to affect materially the street car traffic, it is estimated that the maximum passenger earnings for the fiscal year ending June 30, 1919, will not exceed 90 per cent of the revenues of 1918. Using this figure as a basis, the following is an estimate of the earnings for 1919:

Passenger Revenue	\$77,984.10—90% of 1918 Revenue
Special Car Revenue.....	269.90—Same as 1918
Express Revenue	1,668.00—“ “ “
Freight Revenue	1,359.96—“ “ “
Station and Car Privileges	427.35—“ “ “
Rents	60.00—“ “ “
Miscellaneous Revenues	743.75—“ “ “
TOTAL	\$82,513.06

OPERATING EXPENSES.

In computing operating expenses for 1919, consideration must be given to the fact that on account of increased costs of labor and material, these are bound to be higher than during 1918. The company has submitted in evidence these increases since the year 1915 but does not bring out the relative weights of the various items. It would not be fair to the company to use increases as computed against its 1915 expenses, without taking into consideration certain phy-

sical features that have increased operating expenses, such as increased length of line, increased age, and increased freight rates.

An examination of the yearly expenses discloses the fact that the 1917 expenses are about the same as those of 1915, with the exception of the maintenance of way and structures and of equipment. Of these latter items the 1917 report more nearly represents the normal expense at this time. Therefore, in computing the 1919 expenses, the year 1917 has been used as a basis upon which to add increases:

ESTIMATED 1919 EXPENSES			
	1917		1919
Way and Structures	\$6,203.96	33.3	\$8,269.88
Equipment	7,807.44	50.0	11,711.16
Traffic	275.25	10.0	302.77
Conducting Transportation	33,716.87	12.5	37,931.48
General	5,852.39	Same as 1918	6,151.67
Undistributed	4,561.60	" " "	4,856.90
Depreciation	15,175.20	" " "	15,650.10
Taxes	3,624.24	" " "	3,929.49
TOTAL			\$88,803.45

According to the foregoing estimates, the requirements of this company to pay operating expenses, depreciation and taxes will be as follows:

Estimated Operating Expenses	\$88,803.45
Estimated Income	82,513.06
Additional Requirements	\$6,290.39

In addition to the above, this company has issued and outstanding \$325,000.00 of five per cent bonds calling for interest of \$16,250.00 per annum; also notes for \$35,000.00, representing money borrowed and used in the construction of new extensions to the fair grounds and the sugar factory. These notes call for yearly interest of \$1604.14. The requirements, then, in excess of the estimated income for 1919 would be as follows:

Additional Requirement to Pay Operating Expenses,	
Taxes and Depreciation	\$6,290.39
5% Interest and Bonded Debt of \$325,000.00	16,250.00
Interest on Notes of \$35,000.00	1,604.14
Total Estimated Deficit	\$24,144.53

In computing the increase that might be derived, it has been estimated that 90 per cent of the cash fares are for rides within the city limits. (A large percentage of the business outside of the city limits is handled on reduced rate tickets). Consideration has also been given to the fact that the traffic will be only 90 per cent of what it was in 1918.

The cash fares received in 1918 amounted to \$66,734.81.

Ninety per cent of \$66,734.81 is \$60,061.33, or the amount of cash fares that may be expected in 1919. Ninety per cent of \$60,061.33 is \$54,055.20, or the amount of cash fares that might be expected to be collected within the city limits in 1919. Twenty per cent of \$54,055.20 is \$10,811.04, or the increase that might be expected from a six-cent fare within the city.

The schedules of rates applicable on the lines outside of the city limits are too complicated, and the undivided record of fares collected at different points on the lines makes it impossible to compute by blocks what the increased fares might amount to. The estimated revenues for 1919, exclusive of the increased receipts due to the advanced rates on the lines outside the city limits approximately would be:

Estimated income based on 90% of 1918 business and present rates	\$82,513.06
20% increase on fares within city	10,811.04
Increase due to advanced rates on lines outside city	
	<u>\$93,324.10</u>

The mere raising of rates will not settle this problem definitely, as heretofore shown. It is entirely possible to increase rates to a point which will defeat the object of the increase. The April, 1918, number of "Aera", a magazine devoted to the electric railway industry, states as follows, on page 872:

"The experience where six-cent fares have gone into effect shows that although a 20 per cent increase in revenue is thus provided, in reality this increase seldom amounts to more than 12 per cent, and sometimes to less than this percentage."

Figuring on the basis that a 20 per cent increase in fares might produce a 12 per cent increase in revenues, then a six-cent city fare would raise revenues just slightly more than the additional operation requirements heretofore shown. The total increase in the receipts on the outside lines would then be available for bond interest.

The following is an excerpt from the brief of Frank Woody, assistant attorney general, who assisted the Commission in the investigation:

"* * * An examination of the Billings case discloses that the respondents have placed an erroneous construction on the holding of the court in that case. That case was submitted on an agreed state-

ment of facts which failed to disclose the term for which the franchise was granted and likewise failed to show that the application was approved by a vote of the qualified electors, and the court said that for either or both of these reasons the judgment should be affirmed, but that counsel had ignored these defects and proceeded on the assumption that the franchise was granted properly and that a valid contract resulted from its acceptance if the city had the authority to contract for specific rates for any period, and the court then ignored these defects and adopted the assumption of counsel and considered and decided the case on the one question of merit presented by the appeal, namely, whether the schedule of rates fixed by the ordinance should control, or whether the Commission had the power to disregard the same and fix and determine proper and necessary rates to be charged by the utility. It therefore follows that the decision in that case is controlling and is decisive of the question here involved as contended by petitioner.

"The only other question involved is one of fact, whether the evidence introduced at the hearing and the examination of the company's books made by the Commission's auditor show that the rates now in force are insufficient to produce earnings sufficient to pay operating expenses, depreciation, interest on bonds, and a reasonable return on the investment. From the statements made by counsel representing petitioner on the hearing it is apparent that the petitioner recognizes the fact that it is almost impossible to place in effect rates which will be sufficiently high to produce earnings sufficient to pay operating expenses, depreciation and interest on bonds, and also pay a reasonable return on its investment, as such rates would have to be so high that they would result in the public, or a large portion thereof, ceasing to use the utility, and consequently the final results would be a loss rather than an increase in earnings, and counsel therefore intimates that the petitioner will be satisfied if the increase in rates be sufficient to enable it to operate without a loss, that is sufficient to enable it to pay operating expenses, depreciation and interest on its outstanding bonds, and contends that the earnings under the rates now in fore are insufficient for such purposes.

"The system and cars operated are modern in every respect and the service rendered is very effi-

cient, in fact it is doubtful whether as modern a system with as efficient service can be found in any other city of the same size. The main difficulty appears to be that the petitioner in constructing its system has invested an amount of capital not warranted by the amount of business which it can reasonably expect to receive.

"On the hearing evidence was introduced, both of witnesses and by exhibits for the purpose of showing that the system had been operated at an actual loss practically ever since its construction, and with the increase in prices for both labor and materials during the last two years its loss is increasing each year.

"Exhibit No. 2 (p. 25) introduced by petitioner and the testimony of Mr. Phillips tend to show that the revenue derived from the operation of the system has been insufficient to pay its operating expenses, depreciation, taxes and interest on indebtedness by \$12,606.16 for the year ending June 30, 1915; \$16,116.33 for the year ending June 30, 1916; \$10,366.30 for the year ending June 30, 1917, and \$12,633.09 for the 11 months ending May 31, 1918. The examination of the property and books of the utility by the Commission's auditor will, of course, either substantiate or disprove the figures contained in this exhibit and the testimony of Mr. Phillips. No one can deny the right of the utility to rates which will produce earnings sufficient to enable it to operate its system in an efficient and economical manner without loss, and if the testimony and the auditor's examination disclose that its revenues have been and are now sufficient to enable it to operate efficiently and economically without a loss then of course it is not entitled to any increase of rates, while on the other hand if such testimony and examination disclose that it cannot operate efficiently and without a loss then it is entitled to such an increase as will enable it to do so. In their brief the respondents devote considerable space to a discussion of the construction of the extension of the east and west line to the sugar factory, contending that of the amount expended for this purpose some \$54,000 was derived from earnings and therefore cannot be considered as capital invested on which the utility is entitled to a return. If this amount was derived from a surplus of earnings after paying operating expenses, depreciation, taxes and interest charges, and also a fair return on the invest-

ment had been deducted then their assumption would be correct, but if this amount represents earnings which, if the same had not been expended for this purpose, would have been distributed in dividends which would not exceed a fair return on the investment, but was used for re-investment instead of being distributed in dividends, or if such amount was borrowed from some other fund for which a liability was created and which must be repaid to that fund, then such expenditure does represent capital invested on which they are entitled to a fair return. As a matter of fact this amount was not derived from surplus earnings but was derived from the following source. This utility was not only warranted but was compelled to set aside each year out of its earnings a certain percentage of its physical value as a depreciation reserve fund out of which to pay for repairs and replacements making good depreciation. As testified by Mr. Phillips to determine the actual capital invested, or physical value on which they are entitled to returns, at any date, the amount of earnings set aside to the depreciation reserve fund and then unexpended must be deducted from the actual cost of construction. Here the utility set aside for its depreciation reserve fund this percentage year after year, expending certain amounts each year out of such fund for repairs and replacements to make good depreciation, but the balance in such fund constantly increasing until, when the utility determined to construct this extension, there was an unexpended balance in this fund exceeding \$54,000. Instead of selling bonds or additional capital stock for the purpose of raising funds for this construction the utility borrowed from its depreciation reserve fund and used this amount for such construction. This amount cannot be charged against this depreciation reserve fund so as to actually reduce the amount thereof which must be deducted from the cost of construction in order to ascertain the physical value, but for such purpose the fund must be still considered and treated exactly as though this amount still actually remained in such fund in cash, as eventually the amount so borrowed must be returned to such fund either from proceeds derived from the sale of capital stock or bonds, or from surplus earnings which would otherwise be distributed in dividends if the utility is ever in such shape financially that it will be able to earn the same.

However, if the Commission finally determines that the present rates are insufficient to produce earnings which will enable this utility to pay operating expenses, depreciation, taxes and interest charges and concludes that such rates should be increased in such amounts as will enable the company to meet these charges, but not sufficient to pay any return on the capital invested, then this question is immaterial except for the sole purpose of determining the amount necessary to be set aside for depreciation, and it will not become material for any other purpose unless the Commission concludes to increase the rates sufficiently to enable the utility to pay these charges and also a return on the capital invested."

CONCLUSIONS.

The book accounts and the testimony of witnesses under oath show that \$650,000.00 received from the sales of the bonds and capital stock was actually invested in the plant; also an additional \$35,000.00 was borrowed from the Clark bank at Butte and invested in new extensions to the fair grounds and sugar factory, making a total of \$685,000.00. As the total investment is shown to be \$703,773.25, the difference between the actual cash investment and the book valuation is \$18,773.25. This latter amount is the only portion of the investment unaccounted for and was probably taken from the earnings or from money available for interest on the bonds or the depreciation fund. The book accounts show that the earnings of the company have not been sufficient to pay operating expenses, taxes, depreciation and interest on the bonds, and show a deficit on May 31, 1918, of \$90,494.50. Included in this amount is an item of \$23,750.00, accrued interest on the bonds defaulted in 1916, 1917 and 1918. The surplus of \$96,195.01, shown as a depreciation reserve, is merely a matter of record, as the earnings were never sufficient to enable the company to set aside in this fund the actual cash.

We are, therefore, of the opinion that the company was justified in its application for an advance in rates. We believe, however, that the increase of 2½ cents requested in fares within the city limits would, in a measure, defeat the object of the increase. Under the circumstance, we feel that a six cent fare should be used in lieu of the five cent fare

shown in Schedule "A" of the application; all other rates to be as shown in the application, with the exception of the rates named in connection with transfer checks and the children's rate, which should be modified. One child under five years of age should be carried free on each full ticket presented by parents or guardians; children over five and under twelve years of age, half of the regular one-way rate on all lines. Special consideration should be given to school children and students over twelve years of age on school days.

We are not unmindful of the fact that the conditions brought about by the present epidemic have a decided tendency to affect street car traffic, all lines of business, and the income of individuals. We feel, however, that rates herein recommended are not unreasonable under present conditions, and will so hold.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Missoula Street Railway Company for an advance in street car rates be, and the same is hereby, granted in a modified form.

IT IS FURTHER ORDERED That the Missoula Street Railway Company shall, not later than the twelfth (12th) day of December, 1918, file with this Commission an amended schedule of rates to conform to the rates and regulations set forth in the second paragraph of the Conclusions of this Report and Order.

IT IS FURTHER ORDERED That the Missoula Street Railway Company shall arrange to place tickets on sale at convenient locations in the city of Missoula and at the station in Bonner, Montana.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order on the interested parties hereto, and that said order shall be in full force and effect on and after the fifteenth (15th) day of December, 1918.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
December 5, 1918.

CHAS. P. COTTER,
Secretary.

Concurred in by Commissioners Boyle and McCormick.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of the Missoula Light
and Water Company for Permission to Increase Its Rates
and Modify Its Rules and Regulations for Steam Heating
Service in the City of Missoula, Montana.**

DOCKET NO. 683.

HEARING JULY 2, 1918.

DECIDED DECEMBER 14, 1918.

REPORT AND ORDER

Number 252.

Hearing was regularly held at Missoula, Montana, July 2, 1918, at ten o'clock A. M., with the following appearances:

APPEARANCES:

W. M. Bickford,
C. H. Christensen,
J. C. Phillips,
W. L. Murphy,
For the Applicant.
F. A. Roberts,
Frank Thomas,
For Frank Thomas.
Commissioner Boyle.

The Missoula Light and Water Company June 10, 1918, filed a petition requesting authority to increase its steam heating rates and to modify its rules and regulations. The amended tariff shows an increase of 15 per cent per 1000 pounds of condensation on each step of its present schedule. While the matter was still pending and subsequently to the hearing on the original application, on account of further increases in the cost of labor and advances in freight rates on coal, which further increased the operating costs, the utility filed December 3, 1918, a new schedule requesting authority to increase its rates 25 per cent over present rates in lieu of the 15 per cent increase requested in the original application.

To substantiate the reasonableness of its request a sworn statement of operating revenues and expenses was submitted, covering a period of twelve months, commencing with November, 1917, and ending October 31, 1918. Included in this statement there is an item of \$35,715.40, which not only represented the cost of coal for the twelve months specified, but also included an anticipated advance in coal rates of 12 per cent effective January 1, 1919. It also included increased labor costs. While the Director General of Railroads has announced a tentative schedule of freight rates, under the zone system, which, if adopted, will materially affect coal rates in Montana, it has not, however, been determined when the new rates will be placed into effect. Under the circumstances, this Commission would not be justified in giving consideration to a probable advance in the freight rates.

In order to determine the exact cost of operation for the twelve months ended October 31, 1918, the Commission's auditor made another check of the book accounts, and the result of the audit will be shown later in this report.

The following shows the present and proposed schedule of rates:

		Present Rates	Proposed Rates
First	10,000 pounds of condensation.....	\$1.00 per 1000 lbs.	\$1.25
Next	25,000 " " " " .....	.90 " " "	1.12
Next	100,000 " " " " .....	.80 " " "	1.00
In ex.	135,000 " " " " .....	.70 " " "	.88

Testimony and exhibits disclosed the fact that approximately \$157,000.00 is invested in the plant; that between the years of 1906-1914 a deficit of approximately \$52,000.00 is shown. For the fiscal year ended June 30, 1917, the earnings on commercial business were \$3,427.47, and for the fiscal year ended June 30, 1918, a deficit is shown. An additional \$4,500.00 was received each year from the electrical department for standby service, which made the gross incomes for the fiscal year 1917, \$7,927.47, and for 1918, \$4,480.43, representing a return on the investment of 5.5 per cent and 2.8 per cent respectively.

The utility's auditor stated that labor and coal represented approximately 80 per cent of the total operation expense. Coal has advanced from \$3.10 in 1916 to \$4.66 per ton in

1918. In 1916 the wages of firemen were \$110.00, troublemen \$100.00 per month, common labor \$3.00 per day. At present firemen are paid \$142.50, troublemen \$127.50 per month, and common labor \$4.00 per day. The present cost of coal delivered at the plant is \$4.56 per ton.

The following statement shows the consumption of coal and the cost of same during the three periods mentioned in this report:

	Average Cost		
	Tons Used	Per Ton	Amt. Paid
Year Ended June 30, 1917.....	8022	\$3.10	\$24,870.00
Year Ended June 30, 1918.....	7288	3.88	28,312.00
Year Ended October 31, 1918	7364	4.01	29,597.00

As three and one-half months of the present heating season have already passed, and the weather conditions have been extremely mild, it is assumed that the consumption of coal for the next twelve months will not exceed the amount consumed for the twelve months ended October 31, 1918. Therefore, 7,364 tons will be used in computing the cost of coal for the ensuing year.

The following statement shows the result of the check made by the Commission's auditor, and an estimate of operating revenues and expenses for the twelve months ending October 31, 1919. The revenue shown is that of the business of the twelve months' period ended October 31, 1918, plus the 25 per cent advance in rates petitioned for.

OPERATING REVENUES

Low Pressure Steam Sales.....	\$46,901.70
Standby Service	4,500.00
Miscellaneous Revenue	381.24
25% Increase Low Pressure Steam Sales.....	11,725.42—\$63,508.36

OPERATING EXPENSES

Estimated for 12 months ending October 31, 1919, based on same period for 1918, plus increased cost of labor and coal.	
Operating Labor	\$6,250.00
Fuel for Steam (same amount as used for 12 months ended October 31, 1918, 7634 tons at present price of \$4.56 per ton	33,579.84
Water for Steam	703.80
Miscellaneous Supplies and Expenses.....	1,477.50
Maintenance Equipment and Buildings.....	1,530.66—\$43,541.80

DISTRIBUTION

Labor	\$ 193.15
Maintenance, Distribution System	11.97
Maintenance, Meters	537.41
Customers' Premises Expenses	331.45—\$ 1,073.98

GENERAL EXPENSES

Adjustment Inventory	\$ 57.93
General Office Expenses	1,896.40
Office Supplies and Expenses	159.38
Law Expenses	120.00
Miscellaneous General Expenses	298.62
Maintenance, Equipment	210.35—\$ 2,742.68

UNDISTRIBUTED

Insurance	\$ 79.68
Depreciation	4,703.84
Taxes	1,911.62
Compensation Insurance	168.57
Uncollectable Accounts	180.00—\$ 7,043.71
TOTAL	\$54,402.17

SUMMARY OF OPERATING REVENUES AND EXPENSES
FOR YEAR ENDING OCTOBER 31, 1919.

Operating Revenues	\$63,508.36
Operating Expenses	54,402.17
GROSS INCOME	\$ 9,106.19
Return on Investment of \$157,000.....	5.8%

Counsel for the consumers raised the question as to the reasonableness of the standby charge. The electric department of this company pays the heating department \$7.50 per year per horse power for readiness-to-serve its turbine generator set in the sub-station. To determine the reasonableness of this charge, the following analysis has been made:

Assuming the value of building, land and power equipment to be \$85,000.00, the plant value per horse power would be 1200 H. P.—\$85,000.00—\$71.00 per H. P.

\$7.50 per horse power per year would be greater than ten per cent interest on the investment and this investment would be required if the electric plant did not use this equipment.

The heating plant was not called upon to furnish any service to the electrical department during the entire year of 1917. The books, however, show that the standby charge of \$4,500 was collected and credited to the heating department. It may, therefore, be considered that this charge gives the heating department ample credit for the service rendered.

CONCLUSIONS.

The equipment of the heating department is modern and its installation insures economical operation. Coal is dumped into the receiving bins and from there is handled by a power conveyor to the automatic stokers. This arrangement materially reduces labor cost and also the consumption of coal. The long rail haul on coal, high freight rates, and the abnormal price of coal at the mines are responsible for the high cost of operation. Coal represents 70 per cent of the operating costs.

Assuming that present conditions will not change during the next twelve months, the estimated operating expenses will be \$54,402.17, and the operating revenues including the standby charge of \$4,500, based on the twelve months ended October 31, 1918, would be \$51,782.94. The deficit, after considering all revenues under the present schedule of rates, would be \$2,619.23. Eliminating the standby charge, the loss on commercial business would be \$7,119.23.

The Commission is, therefore, of the opinion that the utility is justified in its application for an increase of 25 per cent in its present rates.

ORDER.

This case being at issue, and a full investigation of the matters and things involved having been made.

IT IS THEREFORE ORDERED That the application of the Missoula Light and Water Company for an increase in its steam heating rates be, and the same is hereby, granted.

IT IS FURTHER ORDERED That the Missoula Light and Water Company shall file with this Commission, within ten (10) days from the date of the receipt of this order, an amended tariff, rules and regulations for steam heating service, providing for the following schedule of rates:

First	10,000 pounds of condensation.....	\$1.25 per 1000 lbs.
Next	25,000 " " "	1.12 " " "
Next	100,000 " " "	1.00 " " "
In ex.	135,000 " " " .....	.88 " " "

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this report and order upon the parties hereto, said order to be in full force and effect on and after January 1, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
December 14, 1918.

CHAS. P. COTTER,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Billings Utility Company, a Corporation, for an Advance in its Heating Rates and Modification of its Rules and Regulations in Effect at Billings, Montana.

DOCKET NO. 628.

**REPORT AND ORDER
Number 253.**

It appearing to the Commission that its Report and Order No. 248, heretofore entered on the 21st day of November, 1918, in the above-entitled matter, is supplemental to so much of Second Supplemental Report and Order No. 209, entered in said cause on July 27th, 1918, as is not in conflict with said later order, whereas it was the intention that said later order should entirely supersede said former order, in so far as concerns the furnishing of free heat to the city hall and public library of the city of Billings, Montana,

IT IS HEREBY ORDERED That that portion of said Second Supplemental Report and Order No. 209, of July 27, 1918, reading as follows:

"It is further ordered that on and after the effective date of this order, the Billings Utility Company shall invoice all heat furnished to the city hall and public library of Billings, Montana, at the regular authorized schedule of rates, and credit the full amount collected to the earnings of the utility."

be, and the same is hereby, rescinded as of December 1, 1918. Nothing herein contained shall be construed to modify or change in any way the force and effect of said Second Supplemental Report and Order No. 209 from September 1, 1918, to December 1, 1918.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA, Helena, Montana, December 18, 1918.	CHAS. P. COTTER, Secretary.
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Billings Gas
Company for an Increase in Rates and Modification of
Rules.

DOCKET NO. 693,

HEARING OCTOBER 8, 1918.
DECIDED JANUARY 25, 1919.

**REPORT AND ORDER
Number 254.**

Hearing was regularly held at Billings, Montana, on
October 8, 1918, at 10 o'clock A. M., with the following
appearances:

I. W. Choate,
For the Commission.
A. J. Luick,
R. C. Cardell,
For the Billings Gas Company.
Commissioner Boyle.

The Billings Gas Company, a domestic corporation, or-
ganized October 2, 1912, is engaged exclusively in the manu-
facture and sale of water gas, and the sale of gas appliances,
in the City of Billings, Montana.

On September 3, 1918, the company filed an application
with the Commission, requesting permission to increase its
gas rates.

At the hearing the company presented evidence sustain-
ing its request for increased rates. The rates petitioned for
are as follows:

A Service Charge of 25 cents for customers,
Over and Above the Cost of Gas.

SCHEDULE "A"

First	3,000	cu. ft.	.....	\$2.05	per 1000 cu. ft
Next	2,000	" "	.....	1.85	" " " "
Next	10,000	" "	.....	1.75	" " " "
Next	15,000	" "	.....	1.60	" " " "
All over	30,000	" "	.....	1.35	" " " "

Minimum Monthly Charge \$1.00.

A discount of ten (10) cents per thousand cubic feet, if paid
at the company's office within ten (10) days of date of bill.

INDUSTRIAL HEATING, POWER, AND LIGHTING RATE.

First	5,000	cu. ft. used per month	.....	\$1.60	per M. cu ft.
Next	10,000	" " " " " "	.....	1.50	" " " "
Next	15,000	" " " " " "	.....	1.40	" " " "
Next	30,000	" " " " " "	.....	1.30	" " " "
Next	40,000	" " " " " "	.....	1.25	" " " "
All over	100,000	" " " " " "	.....	1.20	" " " "

Minimum Monthly Charge of \$1.00.

A discount of ten (10) cents per thousand cubic feet if paid at the company's office within ten (10) days of date of bill.

The rates petitioned for include service charge of 25 cents per month, per consumer, over and above the cost of gas; an increase in the monthly minimum bill for commercial consumers from 50c to \$1.00; an increase of 25c per thousand feet on each step of the commercial rate; and an increase on each step of the industrial, heating and lighting schedule of 50c per thousand cubic feet.

Page 25 of the transcript of evidence in this case states definitely that the company is asking an increase in rates for the purpose of paying "operating expenses, depreciation, and interest on its bonds and outstanding obligations, so as to maintain its credit, and it is not at this time asking the Commission to allow it to earn a fair return upon the value of the property."

VALUATION.

With the foregoing statement under consideration, it seems unnecessary for the Commission to enter upon any exhaustive study of the fair value of this property, except inasmuch as that value may affect a fair allowance for depreciation as one of the operating expenses. It is with these things in view that the following notes on valuation are made:

Exhibit No. 1, placed in evidence shows the value of the plant and property to be \$324,321.07. This, however, does not include working capital or intangible values, such as organization and engineering expenses, nor interest during construction. The Company placed a fair minimum valuation upon the plant and property for rate-making purposes of \$400,000.00.

An examination of the annual reports filed by this Commission during the years of 1913 to 1918, inclusive, eliminating intangible values, discloses the following book valuation:

1913	.....	\$169,562.91
1914	.....	201,868.42
1915	.....	258,481.48
1916	.....	305,557.04
1917	.....	315,194.75
1918	.....	324,321.07

It will be seen that the reported valuation in 1918 is the same as the value of property and plant, as put in evidence.

The following statement shows the operating revenues and expenses during the past five years and also indicates the rapid growth of the business:

Fiscal Year	1914	1915	1916	1917	1918
Total Revenues	\$26,847.06	\$38,320.57	\$55,649.18	\$62,601.67	\$73,254.51
Optg. Expenses	31,691.71	41,922.71	42,410.10	52,379.04	61,828.15
Estimated Expenses for 1919 Based upon the Operating Expenses of 1918—plus Depreciation, Taxes, and the Increased Cost of Labor, Fuel, and Supplies					
					\$67,995.63

FINANCIAL REQUIREMENTS 1919

Estimated Expenses	\$67,995.63
Interest on Outstanding Bonds	14,970.00
Total Requirements	\$82,965.63
Total Earnings 1918	73,254.51
Deficit	\$ 9,711.12

CONCLUSIONS.

The result of investigations discloses the fact that owing to the abnormal increase in operating expenses, the utility was justified in its request for an advance in rates, and that the relief prayed for should be granted in a modified form by authorizing an increase of 15c per 1000 cubic feet on each step of the commercial schedule and 25c increase in the monthly minimum rate.

Under existing conditions and the present schedule of rates, it is disclosed that the average price received for gas under the industrial rate is less than the actual cost of production. We, therefore, feel that the advance requested in the industrial rate is reasonable, as the spread between the industrial and the commercial rates under the present schedules, discriminates against the commercial consumer.

The service charge of 25c per month in addition to the cost of gas under the proposed schedules is disapproved by the Commission, as we believe the monthly minimum charge covers this service.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Billings Gas Company for an increase in its gas rates be and is hereby granted in a modified form.

IT IS FURTHER ORDERED That the Billings Gas Company shall, not later than the thirty-first (31) day of January, 1919, file with this Commission the following amended schedule of rates:

COMMERCIAL RATE.

First	3,000 cu. ft.	.....	\$1.95	per 1000 cu. ft.	Discount 10c per M.
Next	2,000 " "	.....	1.75	" " " "	" " " "
Next	10,000 " "	.....	1.65	" " " "	" " " "
Next	15,000 " "	.....	1.50	" " " "	" " " "
Over	30,000 " "	.....	1.30	" " " "	" " " "

Minimum Monthly Charge 75c.

No discounts allowed unless bills are paid on or before the 10th day of the month following that in which gas is used.

INDUSTRIAL—HEATING, POWER AND COMBINATION
HEATING AND LIGHTING RATES.

First	5,000 cu. ft.	.....	\$1.60	per 1000 cu. ft.	Discount 10c per M.
Next	10,000 " "	.....	1.50	" " " "	" " " "
Next	15,000 " "	.....	1.40	" " " "	" " " "
Next	30,000 " "	.....	1.30	" " " "	" " " "
Next	40,000 " "	.....	1.25	" " " "	" " " "
Over	100,000 " "	.....	1.20	" " " "	" " " "

Minimum Monthly Charge \$1.00.

No discounts allowed unless bills are paid on or before the 10th day of the month following that in which the gas is used.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order upon the parties hereto, and that the same shall be in full force and effect on and after the first day of February, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
January 25, 1919.

CHAS. P. COTTER,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**UPON THE INITIAL MOTION OF THE PUBLIC
SERVICE COMMISSION OF MONTANA,**

vs.

THE HELENA LIGHT & RAILWAY COMPANY,
Defendant.

DOCKET NO. 696.

**IN THE MATTER Of the Restoration of the Thirty Minute
Service on the Street Car System of the Defendant.
Company on its Kenwood and Lower Broadwater Lines.**

HEARING DECEMBER 19, 1918.

DECIDED JANUARY 13, 1919.

**REPORT AND ORDER
Number 255.**

Hearing was regularly held at Helena, Montana, December 19, 1918, at 10:00 A. M.

APPEARANCES:

I. W. Choate,
For the Commission;
O. W. McConnell,
For the Defendant Company;
E. C. Day,
For the City of Helena;
S. C. Ashby, Jr.,
For certain Kenwood Patrons.

COMMISSIONERS:

Boyle,
Hall,
McCormick.

The City of Helena filed an informal petition on December 2, 1918, protesting against a schedule of the Helena Light & Railway Company reducing the service on its Kenwood and Lower Broadwater Lines becoming effective.

It was alleged that the order in Docket No. 648 of this Commission was entered largely upon the representation of the defendant company that the patrons of the Lower Broadwater and Kenwood lines would be furnished a thirty minute service during the entire day and until 11:30 P. M., in the event that the company be permitted to abandon a portion of the Upper Broadwater Line.

At the hearing it was shown that curtailment of the service was due to the abnormal conditions which materially affected street car traffic and it was claimed that by reducing the schedules on the Kenwood and Lower Broadwater lines to an hourly service during certain portions of the day and evening, the operation of one car could be dispensed with, besides effecting a yearly saving in motormen's wages, power and shop expenses of \$5,462.62.

The company purchases its power on a yearly contract. At present, the minimum is 950 H. P. at a cost of \$50 per H. P., or \$47,500.00 per year.

The evidence shows that 23½% of the power purchased is used by the railway company and 76½% by the lighting department. During the winter months of 1917 the peak load was exceeded, which resulted in an increase in the minimum from 900 to 950 H. P.

It is claimed the railway department was responsible for the increase, as the peak load was exceeded during a storm period, owing to heavy demand of the railway department. The fact seemed to be overlooked, however, that during that period there was a heavy demand by the lighting department. Taking these facts into consideration, it is hardly fair to charge the entire expense for additional power to the railway department. Aside from the additional 50 H. P. contracted for during the last six months of the fiscal year of 1918, no additional power was purchased, which shows that notwithstanding seven cars were operated daily over the system, the present peak was sufficient for all purposes. Under the present schedule, one car has been dispensed with, which leaves six cars in operation. As the minimum H. P. must be paid for, regardless of the fact that the full amount is not used, there is no saving in the expense for power by taking one of the cars out of service.

The following statement shows the earnings and the wages of the motormen and conductors for the Kenwood and Lower Broadwater lines, covering a thirty minute service for a period of twelve months commencing with December, 1917, and ending November 30, 1918:

Earnings Lower Broadwater Line.....	\$14,063.75	
Earnings Kenwood Line.....	5,347.20	
Total		\$19,410.95
Motormen and Conductors' Wages—		
Lower Broadwater Line.....	\$ 6,064.75	
Kenwood Line	2,714.75	
Total		\$ 8,779.50

Under normal conditions the earnings shown would be materially increased, as during the above period the schools, theatres, and all places of amusement were closed for several months. The operating expenses would be the same.

The company has in service twenty-eight cars. Twenty-one of these cars are only used as extras when they are operated to the State Capitol Building during the legislature; to Broadwater Hotel and Fort Harrison during the summer months, and the State Fair Grounds. As no record of car miles is kept, it would be a difficult matter to apportion the operating expense to the cars operated as "specials" and it is, therefore, assumed that a considerable portion of the expenses covering the maintenance of track and upkeep of the equipment is charged to operation of cars that are in daily service.

CONCLUSIONS.

The curtailment in the service on the Kenwood and Lower Broadwater lines was due to a reduction in street car traffic brought about by war conditions and the epidemic, which forced the schools, theatres, and all places of amusement to close. In addition to this, the Board of Health recommended that people discontinue riding on street cars and that they walk whenever it was possible to do so. These conditions seriously affected the business of the street car company.

A few days before the present service was established, this Commission issued an order authorizing a six cent fare within the city limits, with substantial increase on all outside lines. Under normal conditions the advance granted would increase the yearly revenues of the company approximately \$20,000.00.

The average yearly earnings of the railway department for a period of five years 1914-1918, inclusive, were \$91,-386.33, plus the estimated additional earnings of 20,000.00, which, under normal conditions, would increase the average yearly income to \$111,386.33.

In Docket No. 687, in the matter of increased fares, decided November 18, 1918, the Commission, after an investigation and an analysis of all data pertaining to the operating expenses for the fiscal year of 1918, decided that under similar conditions the annual operating expenses of the railway department should not exceed \$75,000.00, plus proper apportionment of depreciation, taxes and bonus. The following statement shows the estimated yearly average:

Operating Expenses	\$75,000.00
Depreciation	15,000.00
Taxes and bonus	6,747.21
Total Expenses	<u>\$96,747.21</u>

Since the order in Docket No. 687 was issued, the company has granted an increase in wages to some of its employes, which will result in a slight increase in operating expenses.

The only direct saving under the present service is the motormen's wages, which amounts to \$2,372.50, covering a period of twelve months. The few trips saved in operation only means a slight saving in operating expense for wear and tear of equipment and track. It is safe to assume that the business lost through an hourly schedule would more than offset the amount saved by the reduction in service.

At present the schools and all places of amusement are open. The legislature is in session and business is gradually assuming normal conditions. The utility will therefore in the near future receive its normal patronage. We believe, also in considering the service to be furnished on any of the lines, that the earnings of the entire system should be taken into consideration.

Furthermore, the earnings of this company during the past years have been sufficient to pay all operating expenses, interest obligations and a surplus which justified setting aside an adequate sinking fund to provide for a lean period such as existed during 1918. Had such a fund been established the company would now be in position to continue to furnish its patrons reasonable service. Under the circumstances, the Commission feels that in determining the ques-

tion of reasonable service the earnings of 1918 should not be entirely controlling. Giving consideration to the increased fares the company was not justified in curtailing the service on account of a temporary loss of business due to unusual conditions.

We further feel that operation under normal conditions and increased fares should be required as a fair test of the business, and that an hourly schedule is not a reasonable service within the city limits.

We are of the opinion that the thirty minute service on the Kenwood and Lower Broadwater lines should be restored and will so hold. If, after a fair trial under normal conditions, it is found that the service is not justified by the earnings, we will be glad to give this matter further consideration.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE Ordered that The Helena Light and Railway Company shall not later than the tenth (10th) day of February, 1919, restore the thirty (30) minute service in effect prior to December 1st, 1918, on the Kenwood and Lower Broadwater lines of its street railway system. Said schedule to be effective from 6:00 A. M. to 12:00 o'clock midnight on the Lower Broadwater line and from 7:00 A. M. to 11:15 P. M. on the Kenwood Line.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this report and order upon the parties hereto.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
January 27, 1919.

CHAS. P. COTTER,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Forsyth Electric Light and Power Company for an Increase in its Electric Light and Steam Heating Rates.

DOCKETS NO. 697 AND NO. 698.

**HEARING DECEMBER 27, 1918.
DECIDED JANUARY 30, 1919.**

**REPORT AND ORDER
Number 256.**

Hearing was regularly held at Forsyth, Montana, December 27, 1918, at 10:00 o'clock A. M., with the following appearances:

I. W. Choate,
For the Commission.
Carl A. Becraft,
For the Utility.
L. W. Robinson,
W. B. Dean,
For certain Consumers.
Commissioner Boyle.

The Forsyth Electric Light and Power Company is a domestic corporation engaged in the electric light, power and steam heating business in the City of Forsyth, Montana, December 7, 1918, the above company filed an application, requesting authority to increase its present schedule of steam heating rates twenty per cent and to discontinue the discount for prompt payment of all electric light bills rendered for service furnished under Schedule No. 1. It was alleged that owing to the increased cost of labor, fuel and all supplies it was no longer possible to operate at a profit.

A hearing was regularly held and the testimony disclosed that the price of coal at the mines, which is the principal commodity entering into the cost of operation, had increased in the past two years 68 per cent, with a corresponding increase in all materials and supplies. It was stated that

the freight rate on coal had been advanced 25 per cent. As a matter of fact, the freight rate on coal from Red Lodge to Forsyth was increased 43% per cent.

Witness for the company claimed that there was a reduction in the earnings, due to the daylight saving plan, and a further reduction was predicted after January 1, 1919, when the prohibition law became effective.

The rate of seven cents per K. W. H. charged for power was attacked as being unreasonably high. It was claimed that power was sold at Miles City for five cents per K. W. H. and a much lower rate was to be had at Roundup and Great Falls. The Miles City plant is a municipal plant, operated in connection with a water system, which makes it possible to operate at a much lower cost than a privately owned plant may be operated. A municipal plant pays no taxes, and the salaries of the employes are prorated among the electric light plant, the water system and other city departments. Under the circumstances, a spread of two cents per K. W. H. in the rate at Forsyth and Miles City is not considered unreasonable.

The Roundup electric light plant is operated in connection with the Roundup Coal Mining Company, and the generating plant is installed in the shaft house of the mine. Coal is conveyed from the mouth of the shaft direct to the boiler room, thus eliminating the expense of rehandling and a rail haul involving extremely high freight rates.

Under present conditions and the high cost of coal, supplies and labor, no rate comparison should be made between a plant using coal to generate its power and the Great Falls hydro-electric plant.

A portion of the steam used by the heating plant is exhaust steam from the electric plant. The quantity, however, is not sufficient to supply the demand, and live steam is generated to make up the deficiency. As no steam recording gauge is used, it is impossible to segregate and apportion to each plant the operating expenses.

As the investigation discloses the necessity for immediate relief, we shall, for the present, consider the plant as a whole. The annual report of the petitioner shows the valuation of the electric and heating utilities combined to be \$122,519.38. The following is the result of a full investigation and an audit of the book accounts:

Earnings Electric Dept., 1918.....	\$35,970.54
Earnings Heating Dept., 1918.....	10,291.56—\$46,262.10

ESTIMATED OPERATING EXPENSES, 1919.

Total Expenses, 1918	\$31,234.49
Estimated Increased Expenses, 1919.....	5,975.00
Depreciation	5,632.55
Taxes and Insurance	2,022.29—\$44,874.33
Gross Income	\$ 1,387.77

The utility claims a valuation of \$122,519.38. It may be fairly questioned whether this valuation should not properly be decreased for rate-making purposes. It is not, however, necessary to decide this question in view of the showing made as to income and operating expense, for it is evident that a gross income of less than \$1400.00 would not even pay two per cent upon a much less valuation than that claimed. The estimated increased revenue which this utility will derive from the new rates granted by this order will be approximately \$5,500.00, making an estimated gross income of about \$6,900.00 for the coming year. In the opinion of the Commission this would be a reasonable return for the company and one that is justified under all circumstances.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Forsyth Electric Light and Power Company for an increase in its electric light and steam heating rates be, and the same is hereby, granted.

IT IS FURTHER ORDERED That the Forsyth Electric Light and Power Company shall, not later than the fifth day of February, 1919, file with this Commission an amended schedule of rates, eliminating the discount heretofore granted under its electric light Schedule No. 1, and increasing its steam heating rates twenty per cent (20%) over its present schedule of rates.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this report and order upon the parties hereto, and that said report and order shall be in full force and effect on and after February first, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA, Helena, Montana, January 30, 1919.	CHAS. P. COTTER, Secretary,
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BEFORE THE PUBLIC SERVICE COMMISSION OF MONTANA.

IN THE MATTER Of the Application of the Eastern Montana Oil and Gas Company to Amend its Schedule of Rates, Rules and Regulations for Natural Gas Service.

DOCKET NO. 700.

HEARING JANUARY 16, 1919.
DECIDED FEBRUARY 24, 1919.

REPORT AND ORDER Number 258.

Hearing was regularly held at Glendive, Montana, January 16, 1919, at ten o'clock A. M., with the following appearances:

D. J. O'Neil,
For the Eastern Montana Oil and Gas
Co.
J. J. Ermatinger,
For the Glendive Chamber of Commerce
Commissioner Boyle.

The Eastern Montana Oil and Gas Company, a domestic corporation, engaged in the production and sale of natural gas for heating, cooking and lighting purposes in the city of Glendive, Montana October 16, 1918, and January 16, 1919, filed with the Commission amended schedules requesting authority to increase its present rates and amend its rules and regulations.

It is alleged that owing to the abnormal increased cost of labor and all commodities used in the production, transmission and distribution of gas, it is no longer possible under the present schedule of rates to operate at a profit. The following schedules show the present and proposed rates :

PRESENT RATES.

First	2,000	cu. ft.	.....	75c	per 1000	cu. ft.
Second	2,000	" "	.....	60c	" "	" "
Third	2,000	" "	.....	50c	" "	" "
Fourth	2,000	" "	.....	40c	" "	" "
Additional	" "	" "	.....	30c	" "	" "

Discount 5%.

Monthly Minimum Bill \$1.00.

PROPOSED RATES.

First	1,000	cu. ft.	.....	\$1.50	per 1000	cu. ft.
Next	3,000	" "	.....	.90	" "	" "
Additional	" "	" "	.....	.80	" "	" "

Minimum Monthly Rate \$1.50.

A discount of 5% on all amounts in excess of 1,000 cu. ft., if paid before the 20th day of the month following the period of consumption.

The production of natural gas in Montana has been attempted only within the past five years and is still in the experimental stage. While development work has been under progress in many locations throughout the state, results have been obtained only in a few of the fields prospected, and a limited supply of gas has been produced.

The history of the Eastern Montana Oil and Gas Company, according to the testimony submitted, shows that the first producing well was completed in 1915. The estimated flow of gas from this well was two and one-half million cubic feet in 24 hours. Well No. 2 was completed the same year, and Wells Nos. 3, 4, 5 and 6 were drilled in 1916. During the latter year the transmission line was constructed from the field to the city of Glendive, a distance of 12 miles, and a distribution system was installed. A survey of the city at that time disclosed that there were 720 prospective consumers. During the fall months of 1916, 112 services were installed in the city of Glendive, and the number gradually increased until at present 455 consumers are being served.

In 1917 there was an adequate flow of gas to supply the demand. Shortly thereafter it was found that the supply was rapidly diminishing and it was therefore necessary to discontinue the use of gas for fuel purposes. In order to increase the production, Wells 7 and 8 were drilled, which resulted in increasing the supply by two and one-half million cubic feet per day. This supply was connected to the transmission lines in September, 1917, and for a period of 90 days was sufficient to supply the demand.

During the month of December, 1917, it was necessary, in order to maintain the service in Glendive, to utilize the gas from all producing wells. The supply, however, was not adequate and during 1918 Wells 9, 10, 11 and 12 were completed. Only a limited supply of gas was secured from two of the wells. At present the flow from all producing wells is gradually diminishing.

It appears that the formation covering the gas reservoir in this field is entirely different from that found in all other fields. In this particular field there is no cap rock. You go right through the shale (a laminated condition of shale and sand intermixed) into the gas sand. This shale cap has an average thickness of about 12 feet. Since there is no cap rock covering the gas strata, the casings of the wells cannot be recovered but must be cemented and left in all abandoned wells.

It is also claimed that the wells already completed are sufficient to drain the present field, and that in order to increase the production it will be necessary to extend the field at least one and one-half miles up the creek, which will mean an expenditure of at least \$25,000 for new wells and the extension of the transmission line.

At this time the company is able to supply only a limited number of its consumers, as the average monthly production available for distribution does not exceed four million cubic feet. The inadequacy of the supply has resulted in a material reduction in the earnings, while the cost of production has greatly increased.

D. E. Druen, city engineer and superintendent of the Glendive water department, on behalf of the petitioner submitted the following estimated value of the property. As a basis for this valuation the original cost, and in some instances where invoices could not be located, the market quotations as of December, 1917, were used. The figures shown are at least 30 per cent under the reproduction cost of January 1, 1919.

SUMMARY OF VALUATION.

Production (Land & Leases, Equipment, Field Lines, Buildings, Wells)	\$74,137.92
Transmission Line	55,786.77
Distribution System	40,961.01
Intangible	5,158.64
General	895.00
	<hr/>
	\$176,939.34

The company's balance sheet, ended December 31, 1918, shows the investment in the property and plant to be \$145,325.28, or \$31,614.06 less than the estimated valuation submitted by D. E. Druen. The difference in the valuation is due no doubt to the fact that Mr. Druen in his estimate used in many instances prices as of December, 1917, while the

plant, with the exception of the four wells drilled in 1918, was constructed in 1915, 1916 and 1917, when the cost of labor and of all material was much lower.

The petitioner submitted a statement showing in detail operating expenses, the number of cubic feet of gas sold, and the earnings for the calendar year 1918. The totals only will be shown here.

Operating Expenses, 1918.....	\$13,798.92	
Depreciation	10,085.82	
Well Depletion	5,889.01	
Taxes	1,098.24	\$30,871.99
Revenue, 1918		22,758.78
Deficit		\$ 8,113.21

When this field was first developed it was supposed that the average life of the wells would be the same as the life of wells in other gas fields. It is now claimed that estimating from the results obtained and taking into consideration the present rapid depletion of the wells, the life of the wells in this field will not exceed three years. It will, therefore, be necessary to consider what would be a proper rate to allow for deferred well depletion and general depreciation. In dealing with this question the Ohio Public Utility Commission, P. U. R. 1917-D, p. 790, Par. 2, says:

"The natural gas business differs materially from that of any other public utility. Its production is in the nature of a mining venture. It can be produced only in limited areas, and when once discovered, it is only by continuous development that the extent of the field can be ascertained and the supply maintained.

"Because of the hazard and uncertainty of the business commissions and courts have recognized the justness of granting to a gas company a higher rate of return on its investment than is given to other utilities whose cost of production can be ascertained with reasonable certainty and whose business can be perpetuated. For the same reason a larger per cent is allowed for depreciation or amortization, so that the plant, less its salvage value, may be amortized during the life of the field from which it draws its supply, instead of during the life of the physical property."

This Commission is therefore of the opinion that the amounts charged off in 1918 for depreciation and well depletion are not unreasonable. We are also of the opinion that

owing to the uncertainty of the life of this particular field, whatever amount is expended in the drilling of new wells above the value of the material used and recovered for future use should be treated as operating expenses.

In a parallel case, in discussing this question, the West Virginia Public Service Commission, P. U. R. 1917-A, p. 606, Par. 5, says:

"It is considered by applicant that it will be necessary to drill annually 15 or 20 new wells * * * in order to meet or offset the decrease in production of gas. In this case we are of the opinion that whatever amount is expended in the drilling of new wells less the value of the material used therein, should be treated as operating expenses, as it does not add anything to the property. If any other method were adopted, there is no means by which the company can be remunerated for money thus expended * * * and while it is apparently contradictory to the general principles laid down in this opinion * * * it is the only fair course to pursue in this case."

We have heretofore called attention to the fact that the natural gas industry is still in the experimental stage in Montana. The applicant is one of the pioneer companies organized for the purpose of developing the industry. Since 1915 this company has invested in the gas plant in Glendive and the immediate vicinity \$145,325.28, and although it has been furnishing service for more than two years, the earnings have not been sufficient to pay production and operating expenses. The company has made an honest effort to develop and furnish gas at reasonable rates, and while it is true that it has failed to do this from a rate standpoint of a natural gas enterprise, the fact remains that it is furnishing to the citizens of Glendive a superior quality of gas and has rendered service at a less expense than can be obtained through the use of any other available fuel. Numerous tests of the heating qualities of the gas produced by this company show 1058 to 1100 British Thermal Units. Artificial gas, containing 550 to 600 British Thermal Units is considered a good grade of gas.

The rates petitioned for are materially lower than the average price charged throughout the state for artificial gas, and much cheaper than coal. It is, therefore, evident that

if the natural gas industry is to be encouraged with a view of ultimately developing a fuel that may be sold in many localities at reasonable rates, this company should be granted immediate relief by the establishment of rates that will permit it to maintain and increase the production, pay operating expenses, set aside a fund for depreciation, and earn a reasonable return on the investment. Otherwise, due to the hazard, capital would hesitate to incur the risk, thus delaying the development of the gas fields and the possibility of providing a cheap fuel which at this time, owing to the extremely high price of coal, is an important economic factor.

During the calendar year of 1918 the company sold 52,547,000 cubic feet of gas, which represents a monthly average of 4,379,000 cubic feet. In January, 1918, 8,327,000 cubic feet of gas were sold. Thereafter, due to the depletion of the wells, the production and the amount sold show a decided decrease. At present the flow of gas available for commercial purposes is running between three and three and one-half million cubic feet per month. This is due to the fact that Well No. 8, which up to the present time has produced a constant and average flow of gas, is being depleted very rapidly. It is the intention of the company immediately to prospect and develop the new field but unless producing wells are discovered, it is estimated that from now on the production from the present field will not exceed a monthly average of more than three million cubic feet. The decrease will have the effect of greatly reducing operating revenues. We are, therefore, of the opinion that the application for an increase in the present schedule of rates was justified. It would appear, however, that the spread in the rates, as shown by the blocks in the proposed schedule, is unfair to the consumers of gas within the first block, and that the rate shown in the last block, which affects the large consumers, is excessive and would undoubtedly result in the loss of considerable business.

After a full investigation we are of the opinion that under existing conditions the following schedule of rates is just and reasonable:

First	2,000 cu. ft. used per month	\$1.25 per 1000 cu. ft.
Next	2,000 " " " " "	1.00 " " " "
Next	2,000 " " " " "	.90 " " " "
Next	4,000 " " " " "	.75 " " " "
Additional	" " " " "	.50 " " " "

Minimum Monthly Charge \$1.50.

A discount of 5% will be allowed on monthly bills paid on or before the 10th of the month following the month in which service is rendered.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Eastern Montana Oil and Gas Company for a modification of its rates, rules and regulations be, and the same is hereby, granted.

IT IS FURTHER ORDERED That the applicant shall, not later than the first day of March, 1919, file an amended schedule of rates, rules and regulations conforming to the schedule of rates authorized and shown on Page 6 of this Report and Order.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order upon the parties hereto, and that said Report and Order shall be in full force and effect on and after March first, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA, Helena, Montana, February 25, 1919.	CHAS. P. COTTER, Secretary.
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of the Billings Utility
Company for an Advance in its Rates for Heating Serv-
ice and Modification of its Rules Affecting the Opera-
tion of its Plant at Billings, Montana.**

DOCKET NO. 701.

**HEARING JANUARY 17, 1919.
DECIDED FEBRUARY 24, 1919.**

**REPORT AND ORDER
Number 259.**

Hearing was regularly held at Billings, Montana, Janu-
ary 17, 1919, with the following appearances:

Nichols & Willson, by Judge Nichols,
For the Billings Utility Co.
Fred J. Mashaw,
For the Montana Realty & Loan Co.
I. W. Choate,
For the Commission.
Commissioner Boyle.

The Billings Utility Company, a corporation engaged in the operation of a central heating plant and distribution system, and in the sale of hot water for heating purposes in the city of Billings, Montana, on December 12, 1918, filed an application with the Commission for an increase in its heating rates and a modification of its rules and regulations.

It is alleged that in Report and Order No. 248, Docket No. 690, decided November 20, 1918, the valuation placed upon the property by the Commission's engineer was at least \$70,000.00 below the actual value of the plant, and therefore the sum of \$4,975.00 allowed for depreciation and the estimated return of 5½ per cent on the investment based upon an insufficient valuation was inadequate. It is further alleged that no allowance was made for a surplus fund (in

addition to the depreciation fund) to provide for contingencies. Therefore the applicant prays that after a further investigation and hearing an order be issued providing for the following schedule of proposed rates, effective January 1, 1919:

Present Rate					Proposed Rate				
46c	First	300	sq. ft. of radiation		60c	per sq. ft. per season			
45c	Next	200	" " " "		59c	" " " "			
44c	Next	500	" " " "		58c	" " " "			
43c	Next	1500	" " " "		57c	" " " "			
42c	Over	2500	" " " "		55c	" " " "			

At the hearing held at Billings the testimony submitted by the applicant was confined almost exclusively to the valuation of the plant for rate making purposes, the allowance for depreciation and the return on the investment. It was claimed that the Commission's engineer, in making his investigation, had overlooked and omitted from his estimated plant valuation a number of items which would have the effect of materially increasing the valuation, thus increasing the allowance for depreciation and the return on the investment, which would justify the application for increased rates. Applicant admitted that due to the extremely mild weather during the present heating season, the Commission's allowance in the estimated operating expenses for the present heating season for fuel, electric power and labor was very liberal.

PLANT VALUATION.

Further to substantiate the utility's request for an increase in the valuation, the following statement showing the reproduction cost of the different units was submitted:

Appraisal of Billings Utility Company's Plant & Equipment Based
Upon Reproduction Cost in 1910 and 1914, plus 10%
on Mains and Materials.

Railroad Siding	\$1,500.00
Mains	82,841.45
Bollers	30,900.00
Pumps	5,600.00
Motors	2,900.00
Condenser	650.00
Compressor	1,000.00
Stacks	1,900.00
Stokers	10,000.00
Coal and Ash Handling Machinery	3,500.00
Coal Pit	1,000.00
Real Estate	35,000.00
Switch Board	311.30
Boiler Room Piping	3,000.00
Total	\$180,102.75

It is claimed (Tr. p. 40) that prior to the receivership the investment in the original plant, exclusive of the land and buildings, was \$158,000.00. If that is true, the plant

when it was turned over to the receiver must have shown an excessive depreciation, as Mr. C. O. Myers, the receiver and manager of the present plant, shows in the annual report ended June 30, 1914, and signed by him September 14, 1914, two months after he had sold the plant for \$35,000.00 to the present company, that the value of the plant is \$82,000.00. Using this figure as a basis and adding the cost of new construction and additions shown in the annual reports, the valuation of the plant, without deducting accrued depreciation for the past four years, would be as follows:

Cost of Plant July 1, 1914, (Receiver's Appraisal).....	\$ 82,000.00
New Construction and Additions Fiscal Year 1915.....	10,910.00
" " " " " " 1916.....	18,852.92
" " " " " " 1917.....	21,322.31
Cost July 1, 1918.....	\$133,085.23

C. O. Myers, testifying for the applicant (Tr. pp. 41 & 42), stated that since the reorganization the following amounts were invested in new construction and additions: Cash, \$3,750.00; Bank Loan of \$16,000.00; and \$51,085.23 re-invested from the earnings. Taking these figures, we would obtain the following results:

	Valuation	—Accrued Depreciation—	Present Value
Receiver's Appraisal, 1914.....	\$ 82,000.00	*20% 4 yrs. \$12,400.00	\$ 69,600.00
Reinvested from Earnings.....	51,085.23		
Bank Loan	16,000.00	10% 2 yrs. 7,083.52	63,751.71
Cash	3,750.00		
	<u>\$152,835.23</u>		<u>\$133,351.71</u>

*Depreciation deducted on \$62,000 Plant Valuation; No Depreciation on Land.

In February, 1918, W. B. Saunders, engineer for the Commission, after an investigation and after allowing for accrued depreciation, placed the present-day value of the plant and property as follows:

	Value	Future Depreciation	Amount Depreciation
Buildings	\$5,000.00	2%	\$100.00
Land	20,000.00		
Boiler Equipment	32,000.00	5%	1,600.00
Pumping Equipment	6,000.00	10%	600.00
Compressor Equipment	2,000.00	5%	100.00
Instruments	500.00	5%	25.00
Railroad Siding	1,000.00	5%	50.00
Mains	50,000.00	5%	2,500.00
	<u>\$116,500.00</u>		<u>\$4,975.00</u>
Engineering and Incidentals....	11,650.00		
	<u>\$128,150.00</u>		

OPERATING REVENUES AND EXPENSES.

The following shows the operating revenues and expenses (exclusive of depreciation) for September, October, November and December, 1918, the first four months of the present heating season:

Operating Revenues, 4 months.....	\$32,348.81
Operating Expenses, 4 months.....	21,739.75
Gross Income	\$10,609.06

Since August, 1917, this case has been before the Commission for investigation on four different occasions. Three hearings were held and the following increases were granted:

August 31, 1917, Report and Order No. 209, five cents per square foot of radiation per season on each step of the schedule.

July 26, 1918, Supplementary Order to Report and Order No. 209, granting an additional increase of two cents per square foot of radiation.

November 20, 1918, Report and Order No. 248, granting an additional increase of six cents per square foot of radiation.

The applicant's reproduction value of \$180,102.75 (with the exception of the central station building) was based upon reproduction costs of 1910 and 1914. The central station building was listed at \$15,000.00, reproduction value of 1918. It is claimed that it was constructed in 1907 at a cost of \$8,000.00.

The greater portion of this plant has been in operation for a period of eleven years. Had the accrued depreciation been deducted from the utility's valuation, the present-day value would be very close to the valuation placed upon the plant by the Commission's engineer. We are, therefore, of the opinion that a further discussion of the plant valuation is unnecessary.

According to the records shown in the annual reports, no dividends have been paid on the capital stock. The testimony (Tr. pp. 41 and 42) however shows that during the past four years \$51,085.23 have been reinvested from the earnings in extensions and additions. This would indicate that since the plant was acquired by the applicant it has earned a reasonable return on the investment, including depreciation. This utility, while building up its business, has evidently adopted the policy of reinvesting the money

available for dividends in extensions and additions. No doubt such a policy is sound and should be commended, but the consumer should not be asked to bear the burden of increased rates sufficiently high to earn an excessive return on the entire investment, thus enabling the utility to continue the policy in the future of reinvesting its excess earnings in additions and also pay dividends.

In Report and Order No. 248, decided November 20, 1918, the Commission, in estimating the operating expenses for the present heating season, based the consumption of coal and electric power upon the amount that would be used during an average winter. Practically six months of the present heating season have passed and there has been no cold weather or severe storms. In fact the weather conditions have been the mildest ever recorded in Montana. This condition has made it possible for the utility to show a decided decrease in the estimated operating expenses.

Several letters have been received from the consumers, calling the Commission's attention to the unusual weather conditions and suggesting a reduction in the present rates. The Commission has taken the position that the only fair method to pursue is to base operating expenses on an average season, as it would be a difficult matter to adjust rates to weather conditions. There is no doubt but that the utility will earn this winter an amount in excess of the actual requirements for operation, taxes, depreciation, and a reasonable return on the value of its property. It was not contemplated, however, that, if through favorable weather conditions the utility was able to earn an amount in excess of its actual requirements, this amount should be used for dividend purposes; nor, under prevailing operating conditions, that unfavorable weather conditions, occurring during a subsequent year, should be made the basis of an application for another increase. The law of averages should bind the utility as well as the Commission.

The increased rates granted during the last eighteen months indicate that the Commission is not unmindful of the fact that operating expenses have shown an abnormal increase during the past two years. The applicant, however, seems to have overlooked the fact that the earnings have practically increased in the same ratio. We are, therefore,

of the opinion that an increase in the present rates would not be justified by the facts.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Billings Utility Company for an increase in its hot water heating rates be, and the same is hereby, denied.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order upon the parties hereto.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
February 25, 1919.

CHAS. P. COTTER,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Eastern Montana Light and Power Company for an Increase in Electric Rates for the City of Glendive, Montana, and also in the Matter of the Reasonableness of the Power Rates Charged for Pumping Service in the Cities of Wibaux and Sidney, Montana.

DOCKET NO. 699.

**HEARING JANUARY 15, 1919.
DECIDED FEBRUARY 27, 1919.**

**REPORT AND ORDER
Number 260.**

Hearing was regularly held at Glendive, Montana, January 15, 1919, at two o'clock P. M., with the following appearances:

E. J. Condon, (601 Harris Trust Bldg.,
Chicago),
For the Applicant.
G. H. Jacobus,
For the Nor. Pac. Ry. Co.
W. W. Clarke,
For the Glendive Milling Co.
W. C. Howard, (Sidney),
For the City of Sidney.

The Eastern Montana Light and Power Company, a domestic corporation engaged in generating electric current for the purpose of supplying light, power and heat to the citizens of Glendive, Montana, and suburbs, on September 17 and October 3, 1918, and January 15, 1919, filed amended schedules requesting authority to increase certain rates and to modify its rules and regulations.

It is alleged that owing to the abnormal increases in the cost of labor, fuel and all material and supplies used in generating electricity, it is no longer possible to earn a rea-

sonable return on the investment in the plant. The application of the utility requests authority to make the following changes in rates, rules and regulations:

1. Eliminate the following last three steps of Schedule "A" (General Lighting Rates) and increase the monthly minimum rate from \$1.00 to \$1.50:

Second 1,000 K. W. H. used.....	7c	per K. W. H.
Next 3,000 " "	6c	" "
Additional " "	5c	" "

2. Cancel Schedule "D", including Paragraphs No. 6 and No. 9 under Schedule "D", and Schedule "F" (Industrial Light and Power Rates), and in lieu thereof establish separate schedules for light and power for stores, factories and railroad plants. Schedule "D", together with the above-numbered paragraphs, is as follows:

Schedule "D". A. C. motors \$1.00 per H. P. connected, plus the following sliding scale of rates per H. P.:

1 H. P. or less.....	.045	net per K. W. H.
2 " " .....	.044	" " "
3 " " .....	.043	" " "
5 " " .....	.041	" " "
7½ " " .....	.040	" " "
10 " " .....	.038	" " "
15 " " .....	.036	" " "
20 " " .....	.034	" " "
25 " " .....	.030	" " "
35 " " .....	.028	" " "
50 " or more .....	.025	" " "

Par. No. 6. This rate applies to industrial power only save that industrial lighting requisite in connection with the particular power installation may be connected to the extent of 3% of the connected power load when the monthly demand is in excess of 25 horsepower.

Par. No. 9. This rate also applies to moving picture theater, motor generator sets or Mercury arc rectifiers used in operating Projector machines exclusively.

Schedule "F" (Optional), proposed to be canceled, is as follows:

Lighting.....	4 c	per K. W. H.
Power (Flat Rate)	2½c	per K. W. H.

Minimum Annual Charge Lighting.....	\$2,320.00
Minimum Annual Charge Power.....	600.00

In lieu of the foregoing cancelations and eliminations the following rates are proposed:

LIGHTING RATES

Stores, Factories and Railroad Plants.

First 100 K. W. H. (month).....	10½c	per K. W. H.
Next 100 " "	9½c	" " "
Next 100 " "	9 c	" " "
Next 200 " "	8½c	" " "
Additional " "	8 c	" " "

Discount 5% 10 days.

Schedule "D": Power Rates.

1 H. P. or less, same as lighting. \$1.00 minimum added per H. P.

A. C. current motors \$1.00 per month connected H. P., plus the following scale of rates per K. W. H.:

1 to 2 H. P.	8c	per K. W. H.
2 to 3 " "	7c	" " "
3 to 5 " "	6½	" " "
5 to 7½ " "	6c	" " "
7½ to 20 " "	5c	" " "
20 or over " "	5c	" " "

Contracts one year.

3. Change Rule No. 4, which reads as follows:

Rule No. 4. The company will not extend its secondary lines more than 300 feet for one electric light consumer. Extensions for power will be made on the basis of 100 feet for each horse power connected, based on one year contracts. Extensions of more than 1,000 feet of secondary lines and all high tension lines made upon special arrangements.

And substitute in lieu thereof the following:

Rule No. 4. The company will not extend its secondary lines more than 100 feet for any one electric light or power consumer.

The testimony and exhibits submitted at the hearing disclosed the following abnormal increases in the cost of labor, material and supplies during the two past years:

Coal	94.6%
Labor	41.0%
Freight Rates	32- 36.0%
Oil	30.0%
Miscellaneous Supplies	30-200.0%
Insurance	52.8%

The following statement, covering a period of three and one-half years, shows operating expenses and revenues, the number of kilowatt hours generated, the average production cost of a kilowatt hour delivered to the consumer, and the return received for same:

	Operating Revenues	Operating Exp. Taxes & Deprec'n	Total K. W. H. Sold	Production Cost per K. W. H.	Average Return per K. W. H.
1916	\$45,954.43	\$32,334.64	658,104	4.91c	6.98c
1917	50,207.76	37,683.10	732,048	5.15c	6.86c
1918	47,491.05	44,412.17	712,632	6.23c	6.66c
*6 months	23,384.30	24,321.29	342,288	7.10c	6.83c

*July 1 to December 31, 1918.

The utility claimed that the rates under Schedule "F" (Industrial Light and Power Rates) were discriminatory, as the rate of four cents per K. W. H. for light and the two and one-half cent flat rate for power were below the actual cost of production. It was stated, however, that the company was justified in making a new contract with the city for pumping purposes at an advance over the old contract price but still under the present average cost of production, as the service was rendered during off-peak hours, and the only additional expense incurred in increasing the load was the cost of the coal used.

G. H. Jacobus, superintendent of the Northern Pacific Railway Company, and W. W. Clarke, representing the Glendive Milling Company, protested against the proposed ad-

vance for industrial light and power as unreasonably high and prohibitive. The former stated that for a period of twelve months ending August, 1918, his company paid for light \$3,070.08. For the same service under the proposed rates it would cost \$5,633.23, an increase of 83 per cent, or \$2,563.07. During the same period the power cost \$1,074.26. The same service under the proposed rates and the additional charge of \$1.00 per H. P. connected would cost \$3,318.25, an increase of 208 per cent, or \$2,243.99, making the total increase to his company 116 per cent, or \$4,807.06.

Mr. Clarke testified that the proposed rates would increase his power expense 208 per cent. Under the old rate the cost of power applied to the cost of producing a barrel of flour represented 23 cents, and under the proposed rate 56 cents.

After a full investigation and an audit of the book accounts, the Commission is of the opinion that under existing conditions the rates shown under Schedule "F", naming a flat rate of four cents for lighting and two and one-half cents per K. W. H. for power, with no charge for connected horse power, are materially under the actual cost of production and therefore discriminatory. We are further of the opinion that the proposed schedules for industrial lighting and power are extremely high, and that the spread in the proposed lighting rates for stores and the present rate charged residence consumers is unreasonable. Owing to early closing, many of the stores consume no more electricity than the average residence consumer. Under the circumstances, and giving consideration to the increased cost of operation, it would be unfair to other consumers to authorize a reduction in the present rate charged to merchants.

An examination of the book accounts shows the heating department earnings to be \$10,008.05, and that the operating expenses were \$14,059.81. The expenses of the heating department are based on 25 per cent of the cost of production and distribution, and 12½ per cent of the commercial and general expenses. As the plant is not equipped with recording steam gauges, it is impossible for the utility or this Commission accurately to determine the percentage of production costs that should be charged to the heating department. Assuming that the apportionment is approximately correct,

the consumers of heat are not paying their just proportion of the general operating expenses. We are, therefore, of the opinion that the utility should file an amended schedule of heating rates providing for a surcharge of twenty cents per one thousand feet of condensation on each step of its present schedule of rates.

The following figures will show the operating expenses and operating revenues for the calendar year 1918:

OPERATING EXPENSES	
(Including Taxes and Depreciation)	
Electric Department	\$45,159.26
Heating Department	14,059.81—\$59,219.07
OPERATING REVENUES.	
Electric Department	\$45,684.63
Heating Department	10,008.05—\$55,692.68
Deficit	\$ 3,526.39

During the calendar year of 1918 there was a total of 984,040 K. W. H. generated, of which 642,515 K. W. H. were sold, leaving a balance of 341,525 K. W. H., or 34.7%, used by the utility in the operation of its plant and loss in distribution. After an examination of the records of other utilities operating under similar conditions, furnishing electric power and steam heat, we are convinced that the loss of 34.7 per cent of the total production is extremely high. It is evident that the company is generating more power than is necessary, or else there is an excessive waste in distribution.

In the absence of proper apportionment of operating expenses between the two utilities, the Commission is at a loss to determine accurately just and reasonable rates and to reclassify the different services. It is apparent, however, that the utility, under the abnormal increased cost of labor, coal, and all supplies, is entitled to an emergency relief. We are, therefore, of the opinion that a surcharge of two cents should be added to the lighting rates under Schedule "F" and that the power rate of two and one-half cents should be eliminated. The power consumers now receiving service under Schedule "F" should be transferred to the present Schedule "D". All other proposed changes in the present schedules, including the modifications of the rules and regulations as shown in the application and the amendments thereto, will not be considered at this time.

The records further disclose that service is being rendered to a number of consumers on a flat rate basis. This practice is likely to result in a discrimination. Meters should be installed on all services when more than 120 watts are connected.

The applicant has recently submitted a new contract with the City of Glendive covering pumping service, whereby the city is furnished a flat rate of $3\frac{3}{4}$ cents per K. W. H. for power used between seven o'clock A. M. and ten o'clock P. M., and five cents per K. W. H. for all pumping service rendered at any other time than specified. The applicant justifies this rate on the ground that the service is to be rendered on off-peak hours. As the peak load occurs during the early part of the evening, the rate is a discrimination as between power consumers. In dealing with this question the Indiana and Wisconsin Public Service Commissions state:

Indiana P. U. R. 1919-A, Order 4091, Par. 3.

"During the first six months of 1918 petitioner has furnished electric energy to the city of Lebanon to operate its municipal water plant at the rate of \$.0177 per K. W. H. It cost petitioner almost four times this amount to produce and distribute the electric energy so furnished * * * It is unfair to other consumers to furnish electric current to the city at less than cost, since it places an unjust burden on other patrons. The city should be required to pay for its electric energy at least the amount of the cost of the same. The petitioner will therefore be authorized to add a temporary surcharge of $3\frac{1}{4}$ cents per K. W. H. to its bills for electric service furnished to the city of Lebanon for the operation of its water plant."

Wisconsin P. U. R. 1919-A, U-1157, Par. 1.

"With regard to municipal, street, park and display lighting, * * * we see no reason why, if relief is required, the municipalities concerned should not share the burden with other consumers, since there is nothing in the nature of their use of current which enables the companies to furnish them service without being subject to the increasing costs which are characteristic of their business at the present time."

Pending a further investigation and a reclassification of the different services, the Commission will not approve the

new contract with the city of Glendive. We are, however, of the opinion that the city should stand a portion of the increased cost of operation, and will, therefore, allow the utility to place into effect temporarily the rate of $3\frac{3}{4}$ cents per K. W. H. for pumping service.

No objection will be offered to the proposed change in the city lighting arrangements from direct current arcs to 250 candle power, providing the arrangement is agreeable to the city.

We have heretofore called attention to the fact that the plant is not equipped with recording steam gauges. In order to determine the percentage of production costs chargeable to the heating department, gauges should be installed during the heating season.

The surcharges authorized for light and heat will only apply from March 1, 1919, to July 31, 1919. If in the meantime the applicant equips its plant with the necessary gauges and meters to enable it to apportion properly the expenses, this Commission will make a further investigation at the close of the fiscal year for the purpose of determining a just and reasonable rate for all classes of consumers.

November 14 and December 13, 1918, applicant submitted contracts with the municipalities of Sidney and Wibaux, materially increasing the rate for pumping service. As the utilities at both points are subsidiaries of the applicant company, the applications were consolidated with this case and a date set for a hearing at Glendive. The mayors of both cities were advised of the date of the hearing and Sidney was represented. Since there were no objections offered regarding the increase the contracts were ordered filed.

At the hearing applicant also submitted amended schedules for Sidney, increasing the rates and the monthly minimum charge for heating and cooking under Schedule "C"; also the power rates under Schedule "D". As the consumers affected by the modified schedules had no advance notice of the proposed changes, the Commission has no authority to authorize the rates by issuing a formal order. The utility may, however, file the schedules subject to the approval of the Commission.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the applicant, the Eastern Montana Light and Power Company, be and is hereby authorized to cancel the electric light and power rates under its present Schedule "F", and in lieu thereof substitute the following temporary schedule for industrial lighting:

Schedule "F": Industrial Lighting.
Lighting 6 cents per K. W. H.
Minimum Annual Charge \$2,320.00.

IT IS FURTHER ORDERED That the application for all other proposed changes in the present schedules of the Electric Department, including modifications of rules and regulations and the amendments thereto, be and the same is hereby denied.

IT IS FURTHER ORDERED That the applicant shall within thirty (30) days from the effective date of this order, meter all services when more than 120 watts are connected.

IT IS FURTHER ORDERED That the rates stipulated in the contract pending between the applicant and the city of Glendive for pumping service be and the same are hereby approved for a period of five (5) months from March first, 1919, to July thirty-first, 1919.

IT IS FURTHER ORDERED That the applicant shall not later than the first day of April, 1919, equip its plant with steam recording gauges and meters, and after a fair test, segregate the production costs chargeable to the heating department from those chargeable to the electric department.

IT IS FURTHER ORDERED That from March first, 1919, to the end of the present heating season, the applicant be and is hereby authorized to increase its steam heating rates twenty cents (20c) per one thousand (1,000) feet of condensation on each step of its present schedule of heating rates.

IT IS FURTHER ORDERED That the contracts submitted by the applicant applying to pumping service furnished the municipalities of Sidney and Wibaux be temporarily filed, until the further order or approval by the Commission.

IT IS FURTHER ORDERED That the applicant shall file not later than the tenth (10th) day of March, 1919, amended schedules of electric light, power and steam heating rates, conforming to the rates authorized in this Report and Order.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order upon the parties hereto, said Order to be in full force and effect on and after March first, 1919, and to remain in effect, except as otherwise specifically set forth, until the further order or approval by the Commission.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,	
Helena, Montana,	CHAS. P. COTTER,
February 28, 1919.	Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

THE CITY OF VIRGINIA,

Plaintiff,

vs.

VIRGINIA CITY WATER COMPANY,

Defendant.

DOCKET NO. 649.

**IN THE MATTER Of Rates Charged and Service Furnished
by the Defendant.**

HEARING DECEMBER 20, 1917.

DECIDED MARCH 12, 1919.

**REPORT AND ORDER
Number 262.**

Hearing was regularly held at Virginia City, Montana, on December 20th, 1917, at 2 o'clock P. M., with the following appearances:

L. H. Bennett,
For the Complainant.
Gunn, Rasch & Hall, by M. S. Gunn,
For the Defendant.

COMMISSIONERS:

Boyle,
Hall,
For the Commission.

On November 14, 1917, J. Albright, Mayor of Virginia City, on behalf of the water consumers, filed a formal complaint protesting against the defendant, the Virginia City Water Company, placing in effect an amended schedule of water rates, increasing the rate 10% over and above the authorized schedule of rates.

It is alleged that on the first day of November, 1917, and various times thereafter, the defendant did unlawfully collect a greater compensation for service rendered than is specifically set forth in the authorized schedules.

It is further alleged that the defendant has failed to furnish reasonable adequate service, and that the plant is operated without due regard to the public welfare.

In answering, the defendant "alleges that the rates charged for water are unreasonably low; admits that, in ignorance of the law, did on November 1, 1917, increase the rates ten per cent. That immediately upon being advised that it was unlawful to advance the rates (without the approval of the Public Service Commission) cancelled said increase and refunded all moneys collected in excess of the authorized rates."

At the hearing regularly held at Virginia City, witness for the city stated that owing to the manner in which the system was constructed, it was a physical impossibility for the defendant to furnish an adequate service, as the distribution mains, instead of being laid through the streets in a continuous line, in many instances, entered the property lines through a series of loops and in some cases served three or four houses before returning to the street. There are only a few individual service lines, the balance of the service lines are a continuation, or a part of the distribution system. This method of construction and distribution is responsible in a measure for the low pressure and scarcity of water at the lower end of the system. The inadequacy of the supply was particularly noticeable during the summer months when water was used for sprinkling and irrigation purposes. Witness further stated that the supply and pressure were inadequate for fire protection, and that there were no hours designated for sprinkling and irrigation.

The testimony of Mrs. Sarah Bickford and son, defendant, indicates that the supply of water at the reservoirs is far in excess of the demand, but owing to the constant waste through the overflow pipes, and the extravagant use of water in sprinkling lawns and irrigating gardens, the supply at times was inadequate. Many attempts had been made to regulate the use of water without success. During the season of irrigation many people opened the taps and allowed the water to run on the lawns for two or three days; in fact the practice seemed to be general.

Defendant further claimed that since she had acquired the property, she rebuilt both reservoirs and in addition reconstructed a portion of the transmission and distribution

lines; that these improvements cost approximately \$5,000.00. And she further alleges that her entire time was devoted to the interests of the plant and that while the profits were sufficient to pay her living expenses, she drew no salary as manager, but did pay at various times a small salary to different persons to look after the book accounts.

The plant is a gravity system. The water from a group of springs is collected and stored in two substantial reservoirs. The storage capacity is adequate, and the supply is far in excess of the requirements of the city. The transmission line consists of 3" cast iron pipe from the reservoir to the Y at the edge of the city. In distributing the supply 2½", 2 and 1½" iron pipe is used and laid two to two and one-half feet below the surface, which is altogether too shallow for Montana. This condition makes it necessary to keep the drains at the end of the different lines open during the winter months to prevent the line from freezing.

The waste valves are accessible to all, and the testimony indicates that they are frequently wide open. This practice, together with the extravagant use of water for sprinkling and irrigation, is no doubt entirely responsible for inadequacy of the supply. An examination of the plant discloses the fact that the fixtures installed by the different consumers are not properly classified; one consumer paying a monthly rental of \$5.00 is rendered the following service:

RESTAURANT & LODGING HOUSE

2 faucets in restaurant
1 faucet for washing ice
1 bath room
1 toilet
1 sink

SALOON

1 beer pump
1 urinal
1 toilet
1 faucet for wash bowl

ROOMING HOUSE—6 ROOMS

No fixtures, water carried from across street.

RESIDENCE

2 faucets in kitchen
2 bath rooms
250 chickens
Sprinkling and irrigation of lawn and garden.

According to the rules of other water utilities, the above would represent five distinct services with additional charge for all extra fixtures.

The city claims that under an old agreement, in exchange for the franchise and other concessions, they were to be furnished water free, for fire protection or other city purposes.

On January 27, 1865, the Legislature of the territory of Montana, granted to A. M. Holter, et al. a twenty year fran-

chise to establish a water plant in Virginia City. Section 5 of said franchise reads as follows:

"The company shall place hydrants at each of the corners of block number forty-one, in said city; and the people of said city shall at all times have free access to the water in all cases of fire or other public emergencies when the same shall become necessary, and the said people of Virginia City shall also have the right for the purposes aforesaid, of placing other hydrants at such points as may be deemed necessary."

According to the above the water company was compelled to install hydrants on each corner of block forty-one, and the city was to have **free access** to the water in cases of fire or other emergencies. The franchise does not specifically state that the city was to have **free water**. Therefore, the claim is a debatable one.

There is nothing to be gained by a further discussion of this question, as the franchise expired in 1885, and no evidence was submitted to show that a new franchise was granted.

The testimony of the defendant clearly shows that all the fire hydrants were furnished and installed by the Water Company. In payment for water furnished for fire protection and other city purposes, the city has in recent years recognized the claim of the defendant by cancelling the city taxes levied against the Water Company. As said taxes average approximately \$30 per year, it is apparent that the defendant is not receiving a reasonable return on that portion of the plant installed for the benefit of the city; nor for water furnished for fire protection, or other city purposes. While it is true that the hydrants are not of a standard type, being equipped with one and a half and two inch connections, and the facilities for fire protection are inadequate,—at the same time they afford a certain amount of protection, and the defendant is entitled to a reasonable compensation for such services. The fact that the city is furnished protection in the case of fires, has a tendency no doubt to lower the insurance rates. The Board of Fire Underwriters of the Pacific, in their report No. 1, on Municipal Fire Protection, dated June 20th, 1911, specifically mentions the facilities for fire protection at Virginia City, as follows:

"WATER SYSTEM: Two small banked reservoirs (12x14x8 feet) 1 mile east of town and elevated about 150 feet above center of town, are filled by mountain streams which flow the year round and supply more water than reservoirs use. 3" main from each reservoir connects with city system in the east section of town, and feeds 2" and 1" fire mains. Pressure 60 pounds. There are 11-1 $\frac{1}{4}$ " (faucet) hydrants and numerous $\frac{3}{4}$ " hydrants with sand-box protection from freezing."

It is apparent from this that the Underwriters in fixing insurance rates for Virginia City, gave consideration to fire protection facilities afforded by the city.

In June, 1918, the Commission's Engineer made an investigation and in his report to the Commission, says:

"Yard hydrant and taps in public places were found open and discharging water at all hours. This condition could not be controlled long enough to allow pressure tests with the domestic demand only on the system. With all waste pipes at the end of the different lines open and closed the following tests of pressure were made."

	Drains Open	Drains Closed
"Cor. Wallace & Jackson Sts.	57 lbs.	95 lbs.
" Covert & Van Buren Sts.	46 "	84 "
" Wallace & Hamilton Sts.	58 "	80 "
" Wallace & Broadway Sts.	58 "	82 "
" Idaho & Jackson Sts.	3 "	5 "
Pressure at the Y connection from No. 2 spring.		88 "

The yard hydrants on Warren Street tested practically the same as the street valves on Idaho Street."

The foregoing indicates that if the water consumers would cooperate with the defendant by keeping all taps closed when not in use, eliminate the waste through the drains at the end of private lines, observe reasonable rules and specific hours for sprinkling and irrigation, the supply would be adequate for all requirements.

In order to maintain the pressure the defendant should during the summer months remove the valves from all drains or overflow pipes, and close the end of the pipe by placing thereon a standard screw cap, which should be replaced with reducers during the winter months, thus allowing sufficient water to discharge, to maintain the circulation and prevent the line from freezing. This regulation does not apply to

the pressure or relief valve at the slaughter house. This valve and the one at the reservoir should be enclosed and put under lock and key.

The defendant in conducting the affairs of the Water Company should put in force and effect the standard rules and regulations adopted by the Commission and authorized in Order No. 131, Docket No. 477, and in addition should submit to this Commission for its approval a special rule designating certain hours for sprinkling lawn and irrigating gardens.

PLANT VALUATION.

Using as a basis the increased cost of labor and all material and supplies the reproduction cost of the plant (exclusive of the value of the water rights) would approximately be \$12,000. It is apparent, however, that due to inadequate earnings and maintenance, in years past, the plant has materially depreciated. The testimony shows that within the two years past, the defendant paid \$2,500 for a one-third interest in the plant. We are, therefore, of the opinion the \$9,000 is a reasonable plant valuation for rate making purposes.

OPERATING EXPENSES.

As manager of the plant the defendant looks after the office, collects all water rents and is therefore entitled to a salary of \$100 per month. Out of this amount, it will be necessary to pay an accountant a small sum each month to look after the book accounts.

In addition to regular maintenance, the contingent expenses, due to extreme cold weather and other causes are unusually high. The cost of repairs during the winter of 1916-17, (on account of one freeze up of the distribution line) was \$299.30. We are, therefore, of the opinion that a monthly allowance of \$20 is a fair charge for the maintenance of the plant, and that \$350 for depreciation and replacement purposes is not unreasonable.

The balance of the following items are based on actual operating expenses and fixed charges of 1917.

1919.

ESTIMATED OPERATING EXPENSES.

Mrs. Bickford's salary and allowance for accountant.....	\$1,200.00
Plant maintenance and supplies (\$20 per month).....	240.00
Office Rent	60.00
Fuel for Office	80.00
Light	12.00
Postage and office supplies (\$2 per month).....	24.00
License	50.00
Taxes (1917)	110.70
Depreciation	350.00
Total Operating Expenses	\$2,126.70
8% on investment—plant valuation of \$9,000.....	720.00
Total requirements	\$2,846.70
An audit of the book accounts discloses that there are sixty-eight yearly consumers. The average yearly earnings are	
	\$2,131.20
Deficit	\$ 715.50

Operated as an independent plant, owing to the limited number of consumers, the rates necessary to pay operating expenses, taxes, depreciation, and earn a reasonable return on the investment, would be prohibitive, as a municipal plant the only operation costs that would be incurred would be the maintenance and the replacement charges for worn out parts. All other expenses such as salaries, fuel, light, license and taxes would be eliminated.

After a full investigation we are of the opinion that the defendant is entitled to a reasonable compensation to cover the investment in the hydrants, and for the water furnished and available for fire protection and other city purposes, and that the city should pay the defendant the sum of \$10 per annum for each hydrant capable of furnishing water for fire protection at a pressure under ordinary conditions in excess of fifty pounds, and all water furnished to municipal buildings to be billed at regular rates.

We are further of the opinion that the conditions do not justify an increase in the present base rate for dwellings. To eliminate and avoid discrimination in the future, all fixtures installed in dwellings and business houses not included in the base rate, should be billed at the rates authorized in this report and order.

ORDER.

This case being at issue and a full investigation of matters and things involved being had,

IT IS THEREFORE ORDERED: That as soon as weather conditions will permit (but in no case later than June 1st, 1919), the defendant, the Virginia City Water Com-

pany, shall equip its plant to conform to the recommendations set forth in this report and order, and further, shall repair all defective mains, and replace all corroded or worn out valves.

IT IS FURTHER ORDERED, That the defendant shall, not later than the twenty-fifth (25th) day of March, 1919, file with the Secretary of the Public Service Commission, an amended schedule of rates, rules and regulations providing for the following rates:

SCHEDULE OF RATES—FLAT.

Bank.....	One cold water faucet.....	\$1 00
	Lavatory.....	.75
Barber Shop.....	Not more than 2 chairs.....	2.00
	Bath.....	1.00
	Toilet.....	.50
Bottling Works.....	Breweries.....	4.00
Blacksmith Shop.....		1.50
Butcher Shops.....		3.00
Church.....		1.50
Cows.....	One cow.....	.25
	Each additional cow.....	.15
Dwelling.....	One hot and cold water faucet.....	2.00
	Bath, one.....	.50
	Each additional one.....	.25
	Water closet, each.....	.25
	Garage, private.....	.50
Garage, Public.....	Not more than 5 cars.....	4.00
	Each additional one.....	.25
	Wash rack.....	1.00
Lodge-Hall.....	One cold water faucet.....	1.00
	Water closet.....	.50
Hotel.....	Base Rate, office, dining room and kitchen.....	5.00
	Each additional faucet.....	.50
	Bath, one.....	.50
	Water closet.....	.50
	Urinal, constant flow.....	1.00
Hydrant—Yard.....	Not more than one family.....	1.25
	Each additional family.....	1.00
Hydrant—Fire.....	Each hydrant capable of furnishing water at a pressure of under ordinary conditions in excess of fifty pounds, per annum.....	10.00
Laundry—Hand.....		2.50
Municipal Stables.....		1.00
Office (exclusive).....		1.00
Printing office.....		2.00
Municipal Bldg., County (\$80 per year).....		6.66
Saloon—Soft Drinks.....		2.50
School.....		3.00
Stable—Public Livery.....		5.00
Stable.....	Private, one horse, one vehicle.....	.50
	Each additional horse.....	.15
Sprinkling.....	Lawn or garden or combination of both, 500 square feet or less, per season.....	3.50
Irrigation.....	Each additional 250 square feet or fraction thereof.....	1.00
Stores.....	Drug and soda fountain.....	2.00
	All others, one faucet.....	1.00
	All additional service extra.....	

All rates are net. All bills must be paid on or before the 10th of the month following the month in which service was rendered.

IT IS FURTHER ORDERED, That the Secretary of the Public Service Commission of Montana, shall serve a certified copy of this report and order upon the parties hereto, and the same shall be in full force and effect on and after April 1st, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
March 12, 1919.

CHAS. P. COTTER,
Secretary,

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**UPON THE INITIAL MOTION OF THE PUBLIC
SERVICE COMMISSION OF MONTANA**

vs.

GERALDINE ELECTRIC COMPANY,

Defendant.

DOCKET NO. 707.

**IN THE MATTER of the Reasonableness of the Rates, Rules
and Regulations and Service Afforded in Furnishing
Electric Light and Power by the Defendant Company.**

**HEARING MARCH 28, 1919.
DECIDED MAY 2, 1919.**

**REPORT AND ORDER
Number 264.**

Hearing was regularly held at Geraldine, Montana,
March 28, 1919 at two o'clock p. m., with the following ap-
pearances:

D. G. Lockwood, (Fort Benton),
William Zufall, (Geraldine),
For the Electric Utility.

COMMISSIONERS:

Boyle,
Dennis.

The proceedings in this case were instituted upon the initial motion of the Commission to determine the reasonableness of the rates, rules and regulations of the defendant, the Geraldine Electric Company. At the hearing the testimony disclosed the fact that the plant was owned by Messrs. Lockwood and Morger, of Fort Benton, Montana, and that it was constructed during the summer of 1917 and was placed in operation during September of the same year.

Mr. D. G. Lockwood, testifying on behalf of the defendant company, stated that he knew very little about the construction costs or the operating expenses and revenues, as the affairs of the company had been entirely in the hands of a local manager. He stated, however, that the investment in the plant was approximately \$17,000, but he was unable to furnish a detailed statement of the investment, as his former manager had kept no record of construction costs, operating expenses or revenues. It was further disclosed that 52 consumers were receiving lighting service under the following schedule of rates:

First	50	K. W. H.	used	per	month.....	@	15c	per	K. W. H.
Next	50	"	"	"	"	@	14c	"	"
Next	100	"	"	"	"	@	13c	"	"
Next	300	"	"	"	"	@	10c	"	"
Next	500	"	"	"	"	@	8c	"	"
Next	1000	"	"	"	"	@	6c	"	"
Additional		"	"	"	"	@	4c	"	"

The above subject to a discount of 5% if paid at the company's office within ten days from date of bill.

Monthly Minimum Charge \$1.50 net.

As no recording instruments are installed on the switchboard, there was no way to determine the number of kilowatt hours generated. The city pays a flat rate for municipal lighting and as this service was not metered it was impossible to determine the total number of kilowatt hours sold and the production cost of the same.

During the period of the war it was impossible to secure crude oil or distillate for fuel, so kerosene was used, which materially increased the cost of operation. This fuel cost 19 cents per gallon prior to December first and the cost now is 17 cents per gallon in barrel lots.

Geraldine is a progressive little city of 600 or 700 people, situated in Chouteau county, on the new line of the Chicago, Milwaukee & St. Paul railway, between Great Falls and Lewistown. The town is not over three years old but already has made rapid strides in civic improvements, such as ornamental street lighting, concrete walks, graded streets with curbing, parking and trees, and a modern municipally owned water works. The future of the town is entirely dependent upon the success of dry farming in the surrounding territory.

An examination of the plant and the distribution system indicates that in some instances standard construction rules were ignored and that the plant has been poorly man-

aged. No records were available, showing the investment in the plant, the cost of operation, and the earning capacity of the plant prior to March 1, 1919.

In the appraisal of the plant the usual allowances have been made to cover organization expenses, the cost of engineering and superintendency, and interest during construction. The "cost-of-reproduction-less-depreciation" method has been used in fixing the present valuation. Consideration was given to the fact that the plant was constructed during the period of the war, when the cost of the equipment, material and labor was abnormally high. We are, therefore, of the opinion that the following statement represents a reasonable physical valuation of the plant for rate-making purposes:

PLANT VALUATION.

Tangible Values:	Present Value	% Depreciation	Future Depreciation
Land	\$50.00		
Buildings	480.00	20 %	\$96.00
Engine	4,145.00	6 %	275.30
Electric Equipment	1,024.86	5 %	51.20
Distribution System	2,137.42	6 %	142.50
Transformers	567.75	6 %	37.85
Meters	583.75	6 %	38.91
General Office Equipment	30.00	10 %	3.00
Miscellaneous Equipment	300.00	20 %	60.00
Miscellaneous Const'n & Equip.	745.50		
	<u>\$10,064.28</u>		<u>\$704.76</u>
Intangible Values*	1,760.00		
	<u>\$11,824.28</u>		

*Including organization, engineering and superintendency expenses, and interest during construction.

The owners of the plant have had no former experience in the construction and operation of an electric utility. As the plant has been operated at a heavy loss, it is evident that a portion of the money advanced for construction purposes was used to take care of the loss in the cost of operation, and for other purposes. The amounts so used must have been capitalized, which no doubt accounts for the difference in the valuation submitted by Mr. Lockwood and the valuation placed upon the plant by the Commission's engineer.

February 13th, 1919, a new manager was placed in charge of the plant, and from that date the operating expenses and revenues have been given particular attention and the service has been greatly improved. As no records were available prior to the above date, in order to estimate

the operating costs and earnings for the ensuing year it is necessary to use as a basis the operating costs and revenues as of March, 1919, which are as follows:

OPERATING EXPENSES, MARCH, 1919.	
830 gals. Kerosene @ 17c per gal.....	\$141.10
5 gals. Gasolene @ 28c per gal.....	1.40
30 gals. Engine Oil @ \$1.11, less 1%.....	32.97
30 gals Engine Oil @ 48c, less 1%.....	14.40
Total Oils	\$189.87
Salary, Manager	150.00
Salary, Laborer @ \$1.50.....	46.50
Telephone	3.50
Water	1.00
Coal, Estimated Average per month	10.00
Taxes, 1918—\$268.75 per year	22.40
Insurance—\$244.80 per year	20.40
Ground Rental—\$10.00 per year .....	.83
Depreciation, (Engineer's Report \$704.76 per yr.)	58.73
Total Operating Expenses	\$503.23
Total Operating Revenues, March, 1919.....	238.98
Loss in Operation	\$264.25

In computing the operating expenses for the ensuing year, the only variation in the expense for the other eleven months would be in the consumption of fuel and lubricating oil. We, therefore, estimate the operating expenses for the ensuing year as follows:

ESTIMATED OPERATING EXPENSES.	
Salaries	\$2,347.50
Fuel and Oil	2,133.80
Maintenance, Power Plant	200.00
Maintenance, Distribution System	100.00
Office Supplies and Expenses	200.00
Insurance	244.80
Taxes	268.75
Land Rental	10.00
Water Rent	12.00
Telephone	42.00
Total Fixed Charges	\$5,558.85
Depreciation	704.76
Total Annual Expense	\$6,263.61

Taking into consideration the limited number of consumers and the cost of operation, the estimated revenues for 1919, under the present rates, would not be sufficient to pay the salaries of the manager and the helper. The minimum rate of 15 cents per kilowatt hour is probably the lowest rate charged by any plant in the state operating under simliar conditions. During the past year the Commission has investigated a number of small plants operating under the same conditions as exist in Geraldine, and has found it necessary in many instances to increase the maximum rate to 22 cents per kilowatt hour. A rate that would enable the utility to pay operating expenses and fixed charges, with no allowance for depreciation nor a return on the investment,

would be prohibitive. Under the circumstances we are of the opinion that a maximum rate of 22 cents per kilowatt hour, with a discount of ten per cent for prompt payment of monthly bills, is not unreasonable, and the Commission will so hold.

In estimating the operating expenses for 1919, the ratio of consumption in kilowatt hours for the month of March, 1919, has been used in connection with the total output of kilowatt hours in 1918, assuming that the figures submitted by the utility showing the total kilowatt hours sold in 1918 are correct. The estimated revenues for the next 12 months, based on a maximum rate of 22 cents per kilowatt hour, are as follows:

Estimated Revenues, next 12 months,.....	\$2,952.65
Less 10% Discount	295.26
Estimated Net Revenues	\$2,657.39
SUMMARY	
Estimated Operating Expenses for the next 12 months.....	\$6,264.61
Estimated Operating Revenues for the next 12 months.....	2,657.39
Estimated Loss in Operation for next 12 months.....	\$3,607.22

In the event that a fair or average crop is produced this season, the new flour mill will undoubtedly be put into service and would contract for a connected load of 60 horse power. Other possible consumers of power are the planing mill, 10 horse power; the two garages and blacksmith shop would install motors if assured of day service. A little prosperity will probably provide means for greatly increasing the business, thus reducing the abnormal operating deficit.

CONCLUSIONS.

The installation of an independent electric light plant in Geraldine was perhaps premature, as there is not sufficient market for the product to justify a plant of this character. Under the circumstances the owners can hardly expect a return on the investment. Every effort should be made, however, to increase the earning capacity of the plant to equal at least the cost of operation and fixed charges. Viewing the situation from the standpoint of the consumers, electric lights in Geraldine are a luxury for which the consumers should be willing to pay in proportion to the benefits and the convenience enjoyed.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the defendant, the Geraldine Electric Company, shall, not later than the tenth (10th) day of May, 1919, file an amended schedule providing for the following rates:

SCHEDULE "A"—GENERAL RATE.

First	25	K. W. H. used per month.....	22c	per K. W. H.
Next	25	" " " "	21c	" "
Next	50	" " " "	20c	" "
Next	100	" " " "	19c	" "
Next	100	" " " "	18c	" "
Additional		" " " "	16c	" "

Minimum Monthly Rate, \$2.00.

Ten per cent (10%) discount on bills paid by 10th of month following month in which service is rendered.

IT IS FURTHER ORDERED That the defendant, the Geraldine Electric Company, shall file, not later than the tenth (10th) day of May, 1919, a copy of its rules and regulations, governing its electric service in the town of Geraldine, Montana.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true, full and certified copy of this Report and Order upon the defendant, the Geraldine Electric Company, and that said Report and Order shall be in full force and effect on and after May first, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
May 2, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

LOCAL UNION NO. 3574, U. M. W. OF A., BY
RICHARD HAVENS, THOMAS GIBB AND
CARL W. HILL,

Complainant,

vs.

THE ROUNDUP ELECTRIC COMPANY,

Defendant.

DOCKET NO. 712.

IN THE MATTER Of the allegations that The Roundup Electric Company does not read the meters each month but whenever the company feels inclined to do so; that the meters are never tested; that the company, without the consent of the consumers, checks off the charges through the mine office and the amount of current charged for is not itemized; and that it is the general feeling among the consumers that they are being overcharged.

HEARING JUNE 19, 1919.
DECIDED JULY 17, 1919.

REPORT AND ORDER
Number 269.

Hearing was regularly held at Roundup, Montana, June 19, 1919, at nine o'clock a. m., with the following appearances:

Richard Havens,
Thomas Gibb,
Carl W. Hill,
H. L. Smith,
For the Complainant.
A. W. Straley,
For the Defendant.

COMMISSIONERS:

Boyle.
Dennis.

The original complaint in this proceeding was dated from Roundup, Montana, March 3, 1919, addressed to the Public Service Commission, in words and figures as follows:

"We, the undersigned committee representing Local 3574 U. M. W. of A. and Local 2866 U. M. W. of A., wish to enter the following complaints against The Roundup Electric Company:

"1. They do not read the meters each month but whenever they feel inclined to; 2. The meters are never tested; 3. They check off the charges through the mine offices and the amount of current charged for is not itemized; 4. They check off these current charges through the mine office without the consent of the consumers. P. S. The general feeling among the consumers is that they are being overcharged. The undersigned joint committee are prepared to meet the Commission at any time that they may be called upon. (Signed) Ed. Davies, Chr.; Wm. Edwards, Secy.; J. D. Williams, Local Union No. 2866 U. M. W. of A.; Richard Havens, Carl W. Hill, Thomas Gibb, Committee of Local Union No. 3574 U. M. W. of A., Klein, Montana, Joint Committee."

Under date of May 6th, 1919, Local Union No. 2866 U. M. W. of A. wrote to the Commission as follows:

"Some time ago we sent in a joint complaint about The Roundup Electric Company overcharging and not reading the meters. Now Local 2866 has had all complaints settled to the entire satisfaction of every one concerned. This leaves Local 3574 still unsettled. Thanking you for your valuable assistance in getting the same settled, I remain, yours truly, (Signed) W. Edwards, Secy., Local 2866, Roundup, Montana."

That part of the original complaint in so far as Local 2866 U. M. W. of A., located at Roundup, Montana, is concerned is dismissed and will not be considered in this proceeding.

At the hearing it was brought out that the principal cause of the alleged irregularity in reading of meters was due to the influenza epidemic, and that the county physician advised The Roundup Electric Company that it would be unwise to enforce the reading of meters during the period of the epidemic.

The principal witness for the complainant contended that the electric company checked off bills for various pe-

riods, rendering the amounts to the Republic Coal Company to be deducted from the pay roll of the miners, without regard to the amount of current actually furnished. He insisted that each consumer was entitled to a bill for actual service rendered, for each month separately, instead of estimated bills as has been the practice, particularly during the epidemic.

The Roundup Electric Company, through its president, A. W. Straley, testified in part as follows:

"We agreed to read the meters monthly and to leave at each house when the meter was read the amount of juice as registered by the meter at that time, the amount of juice according to the last reading, the amount of juice consumed during the month and the amount which would be deducted on the pay roll. This has been done in I guess every case since March, which was the first month that we read the meters since our agreement." (Tr. p. 59.)

FINDINGS.

The Commission finds that the meters of the consumers of The Roundup Electric Company at Klein were not read at regular intervals; that such readings, when made, were not properly dated and therefore were of insufficient value to the consumer in determining the amount of current consumed for any given period; and that the bills rendered for service preformed were in many instances estimated. This was particularly true during the time of the influenza epidemic.

The Commission also finds that the defendant, The Roundup Electric Company, is now causing its meters to be read at regular intervals, once each month, and is filing with the consumer a statement approximately as follows:

Meter No.	Date.
This month's reading.	K. W.
Last month's reading.	K. W.
Consumption.	K. W.
Amount which will be deducted.	\$

CONCLUSIONS.

The Commission deems it expedient that the form of statement rendered to the consumer should be revised to indicate the actual date the meter was read and that the gross amount, discount and net amount to be deducted should be shown on the statement, as follows:

METER RECORD.

Meter No. Date
 Present reading, date K. W.
 Previous reading, date K. W.
 Current Consumed K. W.
 Gross Amount \$ Discount \$
 Net amount which will be deducted \$

If the record is kept in accordance with the above suggested form and all the information called for is furnished, the cause of the complaint herein referred to will be removed.

ORDER.

This case being at issue upon the pleadings on file, and a full investigation of the matters and things involved having been had, and the Commission having on the date hereof made its report containing its findings of fact and conclusions thereon, which report is made a part hereof,

IT IS THEREFORE ORDERED That the defendant, The Roundup Electric Company, be required to establish and place into use the following revised form for meter record of the service furnished at the town of Klein, Montana, when its present supply of meter records is exhausted:

METER RECORD.

Meter No. Date
 Present reading, date K. W.
 Previous reading, date K. W.
 Current Consumed K. W.
 Gross Amount \$ Discount \$
 Net amount which will be deducted \$

That the information called for by the above form shall be properly shown and a copy of the form shall be delivered to each consumer in the town of Klein, Montana, at the time the meter is read. In the meantime, the information required on the above form shall be filled in and given to the consumer on the present form now in use by The Roundup Electric Company.

IT IS FURTHER ORDERED That the matters and things complained of, other than the meter record hereinbefore referred to, be and the same are hereby dismissed.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana be and is hereby instructed to serve upon the parties herein mentioned a certified copy of this Report and Order.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
 Helena, Montana, W. J. HAYNES,
 July 18, 1919. Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of the Butte Electric
Railway Company for Increased Rates and Fares and
for Permission to File and Publish Same.**

DOCKET NO. 718.

**HEARING JULY 8, 1919.
DECIDED JULY 17, 1919.**

**REPORT AND ORDER
Number 270.**

Hearing of the above application was regularly held in Butte, Montana, July 8, 1919, at ten o'clock a. m., with the following appearances:

Fred J. Furman,
Murphy & Whitlock, by Mr. Murphy,
For the Applicant.
David H. Wittenberg,
For various Patrons of the Street Rail-
way Co.

COMMISSIONERS:

Boyle,
Dennis.

The Butte Electric Railway Company, August 8, 1918, filed a petition with the Commission requesting authority to increase its street car fares in the city of Butte. After a full and complete investigation the Commission issued its Report and Order No. 250, in which an increase of one cent was granted to the company. In this report it was strongly recommended, in order to facilitate the handling of the fares, that the patrons of the road purchase tickets for the convenience of the conductors. The same rate was made applicable to the price of a ticket as to a cash fare.

May 17, 1919, the street railway company again petitioned the Commission for an additional increase in fare and in part set forth that the company had been operating its street railway system under the provisions, schedules and

rates specified in Report and Order No. 250 since the 10th day of December, 1918, and that the rates fixed in that order were and would continue to be wholly inadequate to be compensatory for the service rendered or to furnish a reasonable return upon the property used and useful in the conduct of the street railway business. The petitioner asked a modification of Report and Order No. 250 and requested permission to file tariffs which would provide for a cash fare on all lines within and without the city, save and except the Columbia Gardens line where a rate of ten cents is charged, of seven cents, with transfer privileges, for all persons except children and mail carriers on duty, and in lieu of the seven cent cash fare tickets would be sold in blocks of four or any multiple thereof, at the rate of six and one-fourth cents per ticket, which would entitle the passenger to all the privileges of a seven cent cash fare.

The petition of the company was set for hearing July 8, 1919, and the date of the hearing was given due publicity through the various newspapers published in the city of Butte. At the hearing counsel for the petitioner endeavored to show by carefully compiled operating statistics for the five months' period during which the six cent fare had been in effect that the company was not receiving a sufficient return upon its investment and that the service of the company, due to the delays and inconveniences brought about by the handling of pennies, was being impaired. Counsel likewise stated that while the company could not reasonably expect the Commission to fix rates sufficiently high to yield a return on the fair value of the property used in the operation of the railway system, it at least expected the Commission to grant a rate sufficiently high to pay operating expenses, fixed charges and the interest on its bonded debt.

J. C. Phillips, the auditor of the street railway company, presented and explained in detail a comparison of the rail-

way operating revenues and operating expenses for the five months' periods ended May 31, 1918 and 1919. A summary of this comparison shows as follows:

	5 Months Ended May 31, 1918	5 Months Ended May 31, 1919
Operating Revenues	\$279,800.76	\$268,219.77
Operating Expenses	237,961.85	271,818.32
Operating Income	\$ 41,838.91	
Operating Deficit		\$ 3,598.55
Interest on Bonds	18,647.57	18,750.00
Net Income	\$ 23,191.84	
Net Deficit		\$ 22,348.55

It will be noted that during the 1919 period there was a reduction of more than \$11,000 in the operating revenue, even though the company at this time was operating under a six cent fare. This reduction was accounted for, in the opinion of the witness, by a large decrease in the population of Butte. The figures show that the operating expenses increased practically \$34,000 over a similar period in 1918. This increase was attributed to a decided advance in the cost of practically all materials used in the operation of the system and also to an advance in the price of labor. For the five months' period ended May 31, 1919, the company showed a net deficit of \$22,348.55. Witness stated that in his opinion even if the petition of the company were granted the increased rates would not return revenue sufficient to pay the company dividends or profit upon the capital invested, not even if the capital account were reduced to \$1,300,000. Witness was further of the opinion that the difference between the seven cent cash fare and the six and one-fourth cent ticket fare was sufficient to induce the regular patrons of the company to purchase tickets, which would tend to clear up the situation that now results in loss of revenue to the company as well as loss in time, delay in schedules and discomfort to the patrons of the road. This testimony was practically substantiated by representatives of the street car men's union who testified to the delay, hazard and inconvenience incident to the handling of pennies.

Following the filing of the petition by the company in May, 1919, and prior to the date of the hearing, the Commission, through its engineering department, made a valua-

tion of the property of the company used and useful in the operation of the system. The engineer's report covers more than a hundred typewritten pages and sets out in great particularity and detail the value of all the important elements of the composite whole. A brief summary of the report is as follows:

	Present Value
Intangible Values	\$21,723.66
Land	53,763.75
Buildings	42,521.38
Power Plant Equipment	51,998.00
Rolling Stock	240,086.97
Track and Roadway	610,203.35
Bridges	25,940.08
Paving and Planking	95,905.10
Grading	119,025.95
Power Distribution System	118,898.91
Fixed Tools and Machinery	8,400.00
Stock, Supplies, Furniture & Autos	109,081.67
Engineering	61,300.35
Total	\$1,558,840.17

It will be noted that the value of the engineer (which does not include the Columbia Gardens) exceeds the value placed upon the property for rate making purposes by the company. However, inasmuch as the company is not asking for a return upon the full value of its capital accounts the question of a fair present value of the utility's property in this case is one of secondary importance. The Commission is satisfied, from the showing made by its engineering department, that the value of \$1,300,000 placed upon the property by the company is fair and reasonable for rate making purposes.

While certain patrons of the street railway company were represented by counsel, no testimony was offered on behalf of the street car users. It is not to be inferred, however, on that account that the interests of the public are not protected. The Commission is at all times keeping a close and careful check of the operating conditions of the Butte Electric Railway Company, and will require the company to submit to the Commission a monthly statement, showing in detail its operating statistics, and if at any time the revenue of the company should exceed the amount that the Commission finds the company is justly entitled to, a reduction in rates will be forthwith ordered.

FINDINGS.

The Commission having made a full and complete investigation of the matters and things involved in this proceeding finds:

1. That the petition of the Butte Electric Railway Company for an increase in its street car fares is meritorious and that the petition is supported by all the facts and evidence introduced at the hearing of the case.

2. That the operating revenues under the present rates are not sufficient to pay operating expenses, fixed charges and interest on the bonded debt.

3. That the inconveniences resulting from the handling of pennies by the conductors interfere with the furnishing of proper and efficient service to the public.

4. That the difference between a seven cent cash fare and a six and one-fourth cent ticket fare will be sufficient to induce the patrons of the road to purchase tickets and in that way eliminate a certain amount of loss of revenue by the company and delays in the street car schedules.

5. That the value placed by the company upon its property for rate making purposes is fair and reasonable.

ORDER.

IT IS THEREFORE ORDERED That the application of the Butte Electric Railway Company for increased rates and fares and for permission to file and publish the same be, and the same is hereby, granted, and that said rates and fares shall provide for a cash fare on all lines within and without the city (save and except the Columbia Gardens line where a ten cent fare is now charged, which said rate will not be modified) of seven cents (7c), with transfer privileges, for all persons except children and mail carriers on duty (who shall be carried at the rate of two and one-half cents, as heretofore), and in lieu of the seven cent cash rate, tickets shall be sold in blocks of four, or any multiple thereof, at the rate of six and one-fourth cents ($6\frac{1}{4}$ c) per ticket, which said ticket shall entitle passengers to all the privileges of a seven cent cash fare.

IT IS FURTHER ORDERED That the Butte Electric Railway Company shall arrange to place tickets on sale at convenient locations in the city of Butte and outlying districts.

IT IS FURTHER ORDERED That the Butte Electric Railway Company shall submit to the Commission at the close of each month, or as soon thereafter as may be fea-

ible, a detailed statement, setting forth its operating statistics under the schedule of rates promulgated in this Report and Order.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the interested parties hereto and that said Report and Order shall be in full force and effect on and after August 1, 1919, and remain in full force and effect until the further order or approval of this Commission.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
July 21, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**IN THE MATTER Of the Application of Monidah Trust for
a Modification of its Rates Charged for Furnishing
Water in the City of Livingston, Montana.**

DOCKET NO. 720.

**HEARING JULY 23, 1919.
DECIDED JULY 29, 1919.**

**REPORT AND ORDER
Number 271.**

Hearing of the above-entitled matter was regularly held at Livingston, Montana, July 23, 1919, at nine o'clock a. m., with the following appearances:

J. A. Murray,
M. S. Gunn,
For the Monidah Trust.
Elbert F. Allen,
For the City of Livingston.

COMMISSIONERS:

Boyle,
Dennis.

May 17, 1919, the Monidah Trust, Water Department, through its managing agent, filed with the Commission a schedule of rates to apply to all service rendered by the Monidah Trust in the city of Livingston. The schedule called for a 20 per cent reduction from the rates on file with the Commission on that date. Various reasons for requesting a reduction in the rates were set forth in the petition.

The Monidah Trust, Water Department, is a private plant organized in August, 1889, and the utility first began to supply the residents of Livingston with water in June, 1890. The property was sold to the present owners in September, 1917. It seems that there has been more or less controversy for a number of years over the question of water service in the city of Livingston, and in 1913 the city seri-

ously began to consider the question of municipal ownership. Bonds were voted later and the proceeds were used for the construction of a municipal system.

The Commission has no particular interest in the controversy, which consists of a variety of legal and court proceedings, between the city and the private water utility in the past. The only fact to be recognized is that at present the city of Livingston, with a population of approximately six thousand people, has two water companies supplying the residents of the town with water—a municipal plant and a private plant. Practically all utilities operating within this state are so situated that but one can serve the community economically and satisfactorily, and it has frequently been demonstrated in other communities that competition cannot be depended upon to protect the consumer from high prices and poor service. Rate wars in almost every case saddle an unwarranted expense upon the community in which they are waged, and the property of the utility is frequently allowed to depreciate and the service is not kept up to its maximum efficiency when such a condition exists; it was with the view of protecting the interests of the consumers of both the private and the municipal plant that the Commission ordered an investigation.

At the hearing of this case counsel for the Monidah Trust stated that the company had filed an application asking for a uniform reduction of 20 per cent in its rates, and inasmuch as there was no complaint that the proposed rates were unreasonable or would result in discrimination that there was nothing for the Commission to consider, and consequently the company declined to introduce any testimony in support of its application. Counsel claimed it to be the absolute right of the Monidah Trust to reduce its rates for water service, provided the rates were within the bounds of reason and were not preferential or discriminatory, and if the rates as proposed were attacked on the ground of being excessively high, unreasonable or discriminatory, that the burden of proof was upon the party making the attack.

The city of Livingston appeared by its city attorney, who contended that it was just as essential for the Commission to hold a hearing in the application for a reduction in rates as it was to hold a hearing in an application for an in-

crease, and to support his contention that the city water department would be materially affected if permission were granted the Monidah Trust to reduce its rates, testimony was presented, through the city clerk, showing in detail the cost of the construction of the municipal plant, which in round numbers was approximately \$268,000. The cost of operating the municipal plant, including depreciation and interest on the bonds, was estimated at \$4,110 per month, and the average income per month, for the first six months of 1919 (January to June, inclusive), was approximately \$4,605. Witness testified that the city at the present time had 861 services of which 712 were private consumers, and that the city is furnishing all its own water required for municipal use, with the exception of one flush tank which is still connected to the Monidah Trust mains. The city has 138 hydrants connected for which a yearly charge of \$35.00 each is made. The estimated operating expenses and revenues were set out in detail.

Counsel for the city insisted that the Monidah Trust be compelled to show its reasons for proposing a reduction in its rates, whether the company desired to donate something to the city or whether the reduction was made purely for the purpose of putting the city plant out of business. He admitted, on being questioned by counsel for the Monidah Trust, that there was no contention that the proposed rates were unreasonably high, nor did he consider them discriminatory other than "we consider it is such a matter that the Public Utilities Commission should take cognizance as being unfair competition." However, he was not in position to cite any legal authorities to substantiate his claim.

The managing agent of the Monidah Trust was placed on the stand to explain the reasons why a reduction in rates was requested. His testimony in part was as follows:

"We feel with the elimination of certain service that we have been furnishing free to the city that we will be able to reduce the expenses so that we can make that reduction. We believe had the city paid their bills as other people paid them for the past several years there could have been a reduction made to the consumers several years ago. We believe we are now in position to do that. We know that we will not make any money, but we will probably make as much money as we have

made. * * * You see for years we furnished the city water for the city hall, the city library, the city jail, the city hospital, for boulevards, for drinking fountains, for watering troughs. * * * When we consider the amount of free service, with that eliminated, we believe we will be able to make a reduction in the rates and we can still make as much money as we have been making."

Upon inquiry from Commissioner Dennis witness stated that it was the intention of the company to keep the plant in an up-to-date manner at all time and also to take care of the depreciation.

"Q. In the event that the proposed reduction that you are suggesting or asking for is not sufficient to bring you a reasonable return or care for depreciation, is it the intention of your company to ask for an increase later on?"

"A. No, I think not. I had a letter from Mr. Murray yesterday. He said when they put the additional reservoir in he thought he could deliver water for a still lower rate."

On cross-examination witness stated that he was not in position to figure the cost of furnishing the city water for hydrant use. It was his opinion, however, that \$35.00 per hydrant per year was unreasonably low. Witness was under the impression that the company had lost fifty per cent of its consumers since the operation of the municipal plant. He stated that the gross income of the company for the last quarter amounted to \$6,780; that since the elimination of the free service furnished the city the company had been able to reduce its operating expenses; that at present they were down to about sixteen or seventeen hundred dollars per month, or something over five thousand dollars a quarter; that considering the present physical value of the plant the company could make very little, if anything, on its investment with the present number of services, if the proposed reduction is granted, but that the company hoped to make something later on.

"Q. But still we haven't got to the basis of the matter, why you are asking for a reduction. You state that you will not make any money if the reduction is granted, and that you don't intend to ask for an increase.

"A. We don't think it is necessary; when we once get it adjusted, with the elimination of the service we have been giving away, we feel confident that our revenue will be sufficient to meet our operating expenses; that is, we believe so or we wouldn't ask for it. We may be mistaken about it. We may lose out on it but that is our belief."

The Commission, through its engineering department, made a physical valuation of the water department of the Monidah Trust, and the Commission's engineer testified that according to his valuation the present value of the property, after deducting accrued depreciation, was \$127,451.90. He submitted in evidence a detailed report which showed the value of the various units that make up the plant.

The Commission cannot accurately determine just what the income of the company would be if the proposed rates are placed into effect, and whether the income will be sufficient to pay operating expenses and keep the plant at a standard of efficiency to furnish adequate service. It would appear, however, that that is a question of minor import, inasmuch as the company has stated that it is its intention to supply adequate service to its consumers and to keep its plant up to a standard of maximum efficiency, and that, in spite of the 20 per cent reduction in rates, by a policy of retrenchment, the company will still be able to make more than its operating expense and depreciation. Under the circumstances and in the light of all of the facts adduced at the hearing and the independent investigation made by the Commission, we are of the opinion that the water consumers of Livingston should not be refused or deprived of the benefits resulting from a reduction in the water rates offered by the Monidah Trust, and the Commission will so hold.

ORDER.

IT IS THEREFORE ORDERED That the application of the Monidah Trust, Water Department, for a uniform reduction of twenty per cent (20%) in its rates charged for water service in the city of Livingston be and the same is hereby granted, said reduced rates to be in full force and effect on and after August first, 1919.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the interested parties hereto.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
July 29, 1919.

W. J. HAYNES,
Secretary.

BEFORE THE PUBLIC SERVICE COMMISSION OF MONTANA.

IN THE MATTER Of the Application of the Malta Light &
Power Company for an Increase in its Electric Light and
Power Rates.

DOCKET NO. 719.

HEARING JULY 15, 1919.
DECIDED AUGUST 5, 1919.

REPORT AND ORDER Number 272.

Hearing was regularly held at Malta, Montana, July 15, 1919, at 8 o'clock a. m., with the following appearances:

M. F. Kemper.
For the Applicant.
Commissioner Boyle.

The Malta Light & Power Company, owned by Mr. Geo. W. Kemper, a resident of Minot, North Dakota, is engaged in supplying electric service to the residents of Malta, Montana.

On July 1, 1919, the company submitted schedules providing for increased rates for light and power, and made application to the Commission to file same, said request being based on the increased cost of labor and fuel.

The proposed rates show a decided increase over the present rates, as follows:

PRESENT RATES			
LIGHTING			
First	50 K. W. H.	18c per K. W. H.	
Next	50 "	16c "	"
Next	50 "	14c "	"
Next	50 "	12c "	"
Additional	"	10c "	"
Minimum, \$1.25.			

POWER AND HEATING			
First	50 K. W. H.	12c per K. W. H.	
Next	50 "	10c "	"
Minimum, \$1.50.			

PROPOSED RATES			
LIGHTING			
First	100 K. W. H.	20c per K. W. H.	
Next	100 "	18c "	"
Next	100 "	16c "	"
Next	100 "	14c "	"
Next	100 "	12c "	"
Minimum, \$1.50			

POWER AND HEATING			
First	200 K. W. H.	12c per K. W. H.	
Next	200 "	10c "	"
Minimum, \$1.50 per H. P.			

A full investigation of the book accounts and a physical valuation of the plant were made by the Commission's Auditor and Engineer, respectively. The Auditor reported that the accounts of the Malta Light & Power Company were in such condition that it was impossible to obtain an accurate statement of the revenues and operating expenses during the past year. No attempt has been made to comply with the Commission's Uniform System of Accounting, and such records as could be located were inaccurate and vague. No segregation has been made in such books and accounts as to capital and operating expenses, and no distinction made between the costs for new construction and expenditures for maintenance.

The revenue accounts are equally unreliable, and the only record available is the customer's loose-leaf ledger, in which a page is devoted to each customer, and from which such loose leaves are extracted when the service is discontinued. No accumulative account could be found of the monthly revenues, so it is problematical whether or not all of such loose sheets were found.

At the hearing no attempt was made to justify the condition of the accounts, other than that the present book-keeper had recently returned from army service, and was not familiar with what had transpired during his absence.

Distillate is used as fuel, and cost during the past year, approximately 13.6 cents per gallon. Evidence was introduced to the effect that the cost during the ensuing year would increase one cent per gallon.

In connection with the furnishing of light and power, the company conducts a merchandise business in the sale of lamps and fixtures, and also does wiring for the introduction of service. In addition to the engineers employed, one man is kept in the service of the company for the purpose of wiring houses, reading meters, etc. No record could be found of the non-operating revenues derived from the merchandise business. It is presumed, however, that the receipts from that source more than compensate the company for the salary paid to the extra man employed as electrician. As the services of the electrician are about to be dispensed with, the salary that has been paid to him, as well as the non-operating revenues from the merchandise business, will not be considered.

From the records that could be found, and partially from verbal information relative to salaries paid for operating labor, the following is a statement of the receipts and disbursements during the past year:

REVENUES

From light	\$17,452.90
From power and heat	1,706.04
Total Operating Revenue	\$19,158.94

EXPENSES

Fuel	\$7,239.00
Gasoline	90.62
Engine Oil	1,825.80
Labor	5,400.00
Operating expenses, exclusive of taxes, maintenance and depreciation	\$14,555.42

The engineer's report shows that the valuation of the plant for rate making purposes is \$39,558.31. The plant is practically new, and the maintenance expenses should be small.

At the hearing, Mr. M. F. Kemper, manager of the utility, testifying for the applicant, stated that the increase requested was not excessive, considering the rates allowed to the neighboring towns of Dodson and Glasgow, which rates he believed to be 25c per K. W. H. at Dodson and 20 or 22 cents at Glasgow.

As a matter of fact, the lighting rates at Dodson, a much smaller town than Malta, are stepped from 18 cents to 10 cents, with a monthly minimum of \$1.00, while the rates at Glasgow are stepped from 17 cents to 8 cents, with a monthly minimum of \$1.20, both rates being lower than the present rates in effect at Malta.

It was shown at the hearing that the utility requires deposits of \$5.00, and in some instances \$10.00, and that no interest has been paid on same. Deposits in the amounts stated are considered to be excessive for many of the consumers.

The Commission is of the opinion that where a discount is allowed for the prompt payment of bills, more satisfactory results are obtained, both for the consumers and the utility.

We are also of the opinion that there should be an adjustment in the present rates and blocks used, and that the flat rate now given to the city of Malta for street lighting,

for which no contract has been entered into, should be sufficient to at least cover the cost of generating and delivering the current.

Based on a readjustment of the rates and blocks, the following is an estimate of the operating revenues and operating expenses, for the ensuing twelve months:

REVENUES.

LIGHTING.

BLOCKS	611 minimum consumers @ \$1.50 each	\$	916.50
1 to 10 K.W.H.	18207 K.W.H. @ 20c per K.W.H.	\$	3,641.40
11 to 25 "	16604 " " 19c " "		3,154.76
26 to 50 "	10983 " " 18c " "		1,976.94
51 to 100 "	10597 " " 17c " "		1,801.49
101 to 200 "	10308 " " 16c " "		1,649.28
Over 200 "	12286 " " 15c " "		1,842.90
		\$14,066.77	
Less 10% discount		1,406.67--	12,660.10
Present street lighting revenues			4,776.00
Total lighting revenues			\$18,352.60

POWER.

At \$1.00 per H. P. connected per month, plus the following block rates:

BLOCKS		Per K.W.H.	
First 100 K.W.H. used per month	4779 K.W.H. @ 9c	\$	430.11
Next 100 " " " "	3346 " " 8c		267.68
Next 100 " " " "	2472 " " 7c		173.04
Next 100 " " " "	1196 " " 6c		71.76
Next 100 " " " "	379 " " 5c		18.95
Next 100 " " " "	460 " " 4c		18.40
Connected H.P. charge 63 H.P. x 12 months @ \$1.00 each			756.00
Total power revenues			1,735.94
Total revenues from operation			\$20,088.54

EXPENSES.

Fuel, 53,228 gals. distillate @ 13.6c	\$	7,239.00
Gasoline, 318 gals @ 28.5c		90.62
Engine Oil, 3,043 gals. @ 60c		1,825.80
Labor, 2 engineers and 1 manager		5,400.00
Extra labor, maintenance and incidentals		1,000.00
Increase in cost of oil		532.28
Taxes		175.00
Depreciation		2,200.00--
		\$18,462.70
Gross Income		\$1,625.84

CONCLUSIONS.

As a result of the investigation it is apparent that the Commission's Uniform System of Accounting is not being used by the Malta Light and Power Company, and that an accurate statement of the operating receipts and operating expenses cannot be obtained from the books and accounts of the company as they are now being kept.

Bills have been incorrectly computed and rendered both for light and power, due to a misunderstanding of the block system of rates, the rates named for the second block ap-

plying to each of the K. W. H. in that block, instead of requiring the consumer to use the entire block before applying the rate.

In the rates for power, a minimum charge per horse power connected, is a readiness-to-serve charge, and should be charged in addition to the amount of current used.

The company has two watt meters installed, and another watt meter has been ordered and will be installed for the purpose of recording the output of the third generator. The cost per K. W. H. can then be definitely ascertained.

The present and proposed blocks are not equitably proportioned, and require adjustment.

The rates charged at present are proportionately as high as those charged by electric utilities operating in the same section of the state under similar conditions, and if properly adjusted will yield a fair return on the investment.

ORDER.

This case being at issue and an investigation of the matters and things involved having been made, and the Commission on the date hereof having made its report containing its findings of fact and conclusions thereon, which report is made a part hereof,

IT IS THEREFORE ORDERED That the Malta Light and Power Company immediately install the Commission's Uniform System of Accounting, and in computing bills for electric service the rates and charges authorized herein must be strictly adhered to, and that all books, invoices and accounts, be kept within the State of Montana.

IT IS FURTHER ORDERED That as soon as the generating cost can be definitely ascertained after the installation of an additional watt hour meter, the utility submit an amendment to its schedule, in duplicate, naming rates for street lighting that will not be less than the cost of production.

IT IS FURTHER ORDERED That all other electric schedules of the Malta Light and Power Company be cancelled at the end of the current month, and that in lieu thereof new schedules be placed into force and effect September 1, 1919, as follows:

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**UPON THE INITIAL MOTION OF THE PUBLIC
SERVICE COMMISSION OF MONTANA,**

vs.

**WOLF POINT ELECTRIC LIGHT AND POWER
PLANT,**

Defendant.

DOCKET NO. 706.

**IN THE MATTER Of the Reasonableness of the Rates, Rules
and Regulations and Service Afforded in Furnishing
Electric Light, Power and Heating by the Defendant
Company.**

**HEARING MARCH 26, 1919.
DECIDED AUGUST 21, 1919.**

**REPORT AND ORDER
Number 273.**

**Hearing was regularly held at Wolf Point, Montana,
March 26, 1919, at ten o'clock a. m., with the following ap-
pearances:**

**John Listerud,
For the Defendant Company.**

COMMISSIONERS:

**Boyle,
Dennis.**

**The proceedings in this case were instituted upon the
initial motion of the Commission as a result of an informal
complaint filed with the Commission regarding the rules
and regulations of the defendant company. March 26, 1919,
a hearing was held at Wolf Point, Montana, to determine
the reasonableness of the rules and regulations and the rates
charged for service as shown in the following schedules:**

PRESENT SCHEDULES.

LIGHTING RATE

For first 100	Kilowatt Hours.....	20c
For second 100	" "	18c
For third 100	" "	15c
For fourth 100	" "	12c
For fifth 100	" " or over.....	10c

POWER RATE

Per Kilowatt Hour	10c
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HEATING RATE

Per Kilowatt Hour	7c
Minimum Charge for each Service, per month.....	\$1.50

Evidence brought out at the hearing disclosed the fact that it has been the practice of the utility to collect a meter deposit of seven dollars. The Commission has heretofore ruled that the practice of collecting meter rentals or meter deposits should be discontinued. As a protection against loss of revenue the utility may, in its discretion, demand of the consumer and collect in advance a deposit of one and one-half times the average monthly bill. On such deposits, if left in the possession of the utility for a period of six months or more, interest at the rate of six per cent per annum shall be paid semi-annually.

After a full investigation, including a complete physical valuation of the property and an audit of the book accounts of the company, and giving consideration to the abnormal increases in the cost of labor and supplies, particularly fuel, which is the largest item of expense in connection with the operation of this plant, the Commission is of the opinion that the present schedules of rates are not unreasonable. It will be noted that the present maximum lighting rate is 20 cents and that all rates shown in the foregoing schedules are net, no discount being allowed for prompt payment of bills.

The Commission is of the opinion, however, that while the present schedule of lighting rates constitutes a reasonable charge for the service furnished, the blocks in kilowatt hours are too large, that the size of the blocks should be reduced, and that in order to insure the prompt payment of monthly bills, the lighting rate should be increased two cents per kilowatt hour with a discount of ten per cent. The increase of two cents per kilowatt hour in the lighting rate would not impose a burden upon the consumer who pays his bills promptly.

Under the present schedules a flat rate of ten cents per kilowatt hour is charged for industrial power and no charge

is made for connected load. It is the custom of practically all utilities operating within the state to charge one dollar per horse power per month as a connection charge, plus a sliding scale of rates per kilowatt hour for current consumed. As the utility furnishes a 24-hour service and the operation of the plant during the daylight hours is practically to accommodate the few consumers of power, it is apparent that the present rate, without a connected load charge, when compared with the rates charged by utilities in cities the size of Wolf Point and operating under similar conditions, is rather low.

The informal complaint upon which principally the hearing was initiated had reference to the unreasonableness of the rules and regulations of the defendant company, having particular reference to the rules governing the extension of service lines. The Commission was informed, however, that the difficulties giving rise to the complaint had been satisfactorily adjusted and the complainant was not represented at the hearing. Interrogatories propounded at the investigation elicited the information that the rules and regulations under which the electric company is operating did not conform to the Commission's standard rules and regulations governing the operation of electric utilities.

The Commission's engineer has placed the following valuation upon the property for rate making purposes:

Intangible Values, including organization and franchise	\$ 300.00
Power Station and Equipment of Plant No. 1	14,522.86
Plant No. 2, including distribution system, etc.	46,260.47
Total	\$61,083.33

Assuming that the consumption during the ensuing year will be the same as 1918, under the revised schedules proposed by the Commission, the earnings would be as shown in the following statement:

LIGHTING RATE.

(Minimum \$1.50. Discount 10%—10 days)			
616 Min. Crgs.	1,306	K.W.H. @ \$1.50.....	\$ 924.00
Min. to 25	29,371	" " .22.....	6,461.62
26 to 50	11,254	" " .21.....	2,363.34
51 to 100	11,136	" " .20.....	2,227.20
101 to 200	9,070	" " .19.....	1,723.30
201 to 500	3,456	" " .18.....	622.08
Additional	800	" " .17.....	136.00
	66,393		\$14,457.54
Discount 10%			1,445.75
			\$13,011.79
Municipal Contract, Lighting			3,463.32
Heating (1918)			11.40
Power (1918)			1,836.70—\$18,323.21
Using the operating expenses of 1918, plus the increased cost of labor, fuel and supplies, the following is an estimate of the operating expenses for the ensuing year:			
Operating Labor			\$ 5,200.00
Fuel, approximately 1640 tons @ \$4.55			7,462.00
Maintenance			600.00
Insurance			250.00
Taxes, approximately			450.00
Depreciation			2,270.00
Amortization Plant No. 1			800.00—\$17,032.00
Net Return			\$ 1,291.21

The net return of \$1,291.00 represents a fraction over two per cent on the investment. Due, however, to the fact that the Great Northern Railway Company within the past two years established division headquarters, including repair shops, at Wolf Point, the city has grown rapidly, which growth no doubt will be the means of the defendant company's securing sufficient business within a year or two to earn a reasonable return on the investment.

The conditions surrounding the construction of the plant at Wolf Point are unique in that the plant is built in duplicate. Plant No. 1 is of the gas producer type and was built in 1914. On account of war conditions the company found it impossible to secure a supply of anthracite coal for the season of 1918-1919 and was obliged either to suspend operation or install a new plant designed to use fuel that could be obtained locally. The latter plan was decided upon and the new steam plant was built, which has furnished all current since its completion. The demand for current has greatly increased during the past year due to civic improvements and the rapid growth of the city, until the gas producer plant would now be inadequate. It must be considered that this plant was not obsolete and was in good working order at the time service was discontinued and that the sole object of the company in constructing the new plant was to insure continuous service for the consumers.

Consideration is also given to the fact that at no time during the period of operation of the old plant—1914-1918—were the owners able to build up a depreciation fund that would amortize its cost. The value of the depreciable property connected with Plant No. 1 is \$12,500. In view of the circumstances under which its use was discontinued, it seems only fair and reasonable that the consumer should help bear the amortization of the discontinued plant.

An amortization period of sixteen years should be allowed to be charged against the annual operating expenses of running the plant. This period is estimated to be the remaining life of the equipment and the annual payments therefor would correspond to the amounts that would ordinarily be charged off in the depreciation fund and thus avoid making the immediate operating expenses unduly high. The company should make every effort to dispose of the equipment in Plant No. 1 at its highest sale value, and the amount realized from such sale should be credited to the amortization account.

ORDER.

This matter being before the Public Service Commission of Montana upon complaint on file and upon its initial motion, and having been duly heard and submitted, and a full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof,

IT IS THEREFORE ORDERED That the Wolf Point Electric Light and Power Plant shall cancel all its present schedules of rates, rules and regulations and in lieu thereof shall file with the Commission, in duplicate, not later than September 1, 1919, revised schedules providing for the following rates:

GENERAL LIGHTING RATE.

First	25	K.W.H.	used	per	month	.....	22c	per	K.W.H.
Next	25	"	"	"	"	.....	21c	"	"
Next	50	"	"	"	"	.....	20c	"	"
Next	100	"	"	"	"	.....	19c	"	"
Next	300	"	"	"	"	.....	18c	"	"
Additional	"	"	"	"	"	.....	17c	"	"

Minimum monthly charge, \$1.50.

Discount of ten per cent (10%) on all bills paid by the 10th day of the month following the month in which service was rendered.

HEATING RATE.

7c (net, no discount) per K.W.H.
 Monthly minimum charge, \$1.50.

INDUSTRIAL POWER RATE.

Alternating current motors \$1.00 per month per horse power connected, plus the following K.W.H. rate:

	H. P.	motor or less	10c per K.W.H.	(no discount)
10	"	"	9c	"
15	"	"	8c	"
20	"	"	7c	"
25	"	"	6c	"
All in excess of 25 Horse Power				

IT IS FURTHER ORDERED That the Wolf Point Electric Light and Power Plant shall file with the Commission, in duplicate, rules and regulations in conformity with the standard rules and regulations promulgated by the Commission, governing the operation of electric utilities.

IT IS FURTHER ORDERED That the utility shall, not later than December 31, 1919, refund to the consumers any moneys collected as a meter rental or meter deposit. In lieu thereof the utility may, in its discretion, demand of the consumer and collect in advance a deposit of one and one-half times the average monthly bill. On such deposits, if left in the possession of the utility for a period of six months or more, interest at the rate of six per cent (6%) per annum shall be paid semi-annually.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a full, true and certified copy of this Report and Order upon the interested parties hereto, and that said order shall be in full force and effect on and after September 1, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
 Helena, Montana,
 August 22, 1919.

W. J. HAYNES,
 Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

**UPON THE INITIAL MOTION OF THE PUBLIC
SERVICE COMMISSION OF MONTANA,**

vs.

**FARMERS MUTUAL TELEPHONE COMPANY
OF MOCCASIN, MONTANA,**

Defendant.

DOCKET NO. 714.

**IN THE MATTER Of the Reasonableness of the Rates, Rules
and Regulations and Service Afforded in Furnishing
Telephone Service by the Defendant Company.**

**HEARING JUNE 20, 1919.
DECIDED OCT. 21, 1919.**

**REPORT AND ORDER
Number 274.**

Hearing was regularly held at Moccasin, Montana,
June 20, 1919, at ten o'clock a. m., with the following ap-
pearances:

L. A. Combellek,
For Himself.
G. B. King, et al.,
For the Defendant.

COMMISSIONERS:

Boyle,
Dennis.

The proceedings in this case were instituted upon the initial motion of the Commission as a result of an informal complaint in reference to the rules and regulations of the defendant company. At the hearing evidence was submitted to show that the Farmers Mutual Telephone Company was organized in 1917 as a mutual company to afford telephone service for the farmers living tributary to the town of Moc-

casin. The stock was listed at \$100.00 per share and in order to secure service it was necessary for the applicant to become a stockholder by purchasing at least one share of stock.

The Mountain States Telephone and Telegraph Company's trunk line passes through Moccasin and the company maintained a small exchange with a limited number of local subscribers at that point. The business did not justify two exchange stations and The Mountain States Telephone and Telegraph Company agreed to withdraw from the field if the Farmers Mutual Telephone Company would take over its local subscribers. Such an arrangement was agreeable to the defendant company, but in making the transfer the Farmers Mutual Company waived its rule regarding the purchase of stock and furnished the former patrons of The Mountain States Telephone and Telegraph Company service upon the payment of a monthly rental only. New business was also solicited and service furnished within the town limits on the same basis. Service, however, was refused to parties living outside of the town limits unless the applicant purchased at least one share of stock in the company. It was this ruling that brought about the investigation.

CONCLUSIONS.

When the Farmers Mutual Telephone Company purchased the interests of The Mountain States Telephone and Telegraph Company and took over its subscribers and solicited new business, without compelling such subscribers to become stockholders, the defendant company became a public utility. Under the provisions of the law all applicants must be furnished service providing they comply with the rules and regulations of the company. The rates charged must be uniform to stockholders and non-stockholders receiving the same class of service.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had, and the Commission having on the date hereof made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof,

IT IS THEREFORE ORDERED That the Farmers Mutual Telephone Company shall, not later than October 25, 1919, file its schedule of rates, rules and regulations, providing for a uniform schedule of rates, rules and regulations for all subscribers receiving the same class of service.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a certified copy of this Report and Order upon the defendant, the Farmers Mutual Telephone Company of Moccasin, Montana, and that said order shall be in full force and effect on and after November 1, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,	
Helena, Montana,	W. J. HAYNES,
October 20, 1919.	Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Eastern Montana Light and Power Company for a Modification of its Rates, Rules and Regulations Governing Electric Service in the City of Wibaux, Montana.

DOCKET NO. 733.

HEARING OCTOBER 30, 1919.
DECIDED NOVEMBER 29, 1919.

**REPORT AND ORDER
Number 275.**

Hearing was regularly held at Glendive, Montana, October 30, 1919, at five o'clock p. m., with the following appearances:

F. P. Leiper,
E. J. Condon,
For the Applicant.
E. F. Fisher,
T. J. Bushell,
For the Consumers and the Town of
Wibaux.

COMMISSIONERS:

Boyle,
Dennis.

Electrical energy in the town of Wibaux is furnished by the Eastern Montana Light and Power Company, the same utility which supplies electric current in the cities of Glendive and Sidney, Montana. Wibaux is the county seat of Wibaux County and has a population of approximately one thousand people. The present plant was built by local capital during the summer of 1914, at a cost of approximately \$32,000, which included both the electrical plant and a telephone exchange in the town of Wibaux. Both departments of the utility were sold to the present owners in February, 1918, at a cost of \$37,000, but inasmuch as the question of rates of the electrical department only is involved in this proceeding, the telephone department will be given no consideration in the determination of the issues involved.

Effective June 12, 1918, the Eastern Montana Light and Power Company issued its Tariff No. 1 to cover the electric service in Wibaux, and its Schedule "A"—General Rate for Electric Service—ranged from 16 cents per K. W. H. for the first 50 kilowatt hours to five cents per K.W.H. for anything over 1,000 kilowatt hours, and August 18, 1919, the company filed an application with the Commission for permission to publish and place into effect the following rates for lighting purposes:

First	30 K. W. H.	.....	20c	per K. W. H.
Next	31 " to 60 K.W.H.	.....	18c	" "
Next	61 " to 100 "	.....	16c	" "
Next	101 " to 200 "	.....	14c	" "
Next	201 " to 300 "	.....	12c	" "
Next	301 " to 400 "	.....	11c	" "
Next	401 " or over "	.....	10c	" "

Subject to a discount of five per cent for prompt payment of bills, with a minimum of \$1.50 per month.

No modification of the other schedules now in effect was requested in the application.

At the hearing held at Glendive October 30, 1919, witness for the company stated that due to the abnormal increase in the operating expenses the earnings under the present rates were not sufficient to pay operating expenses, fixed charges and earn a reasonable return on the investment. Statements were submitted showing the physical valuation of the property as of 1919, together with operating expenses and revenues for the fiscal year ended June 30, 1919.

The following statement shows the valuations placed upon the plant property by the superintendent of the Wibaux plant and by the Commission's engineer:

ITEMS	D. H. McKenzie for Company	James H. Bonner for Commission	
		Reproduction Cost	Present Value
Intangible Values:			
Organization		\$ 611.00	\$ 611.00
Engineering, Omissions & Waste.....		2,117.00	1,588.00
Tangible Values:			
Land	\$ 500.00	500.00	500.00
Buildings	3,000.00	2,764.00	2,073.00
Mechanical & Elect. Equipment.....	14,530.00	13,725.00	9,460.00
Distribution System	9,800.00	9,476.00	7,107.00
General Equipment & Supplies.....	3,600.00	1,985.00	1,811.00
	\$31,430.00	\$31,178.00	\$23,150.00

The above valuation placed upon the plant by D. H. McKenzie, local superintendent for the company, was based upon unit values secured from catalogs, advertising pamphlets, and so forth. No effort was made to secure an average price for a period of years and no deductions were made for accrued depreciation. An item of \$1800 in the allowance for general equipment and supplies includes a number of washing machines and appliances sent on consignment by the manufacturers, according to Mr. McKenzie's statement to our representative when the inventory was being made by the Commission, and the item was afterwards included as company property.

The Commission's engineer in his valuation has given no consideration to this item, and the estimate of Mr. McKenzie is, therefore, considered rather high. Mr. Bonner's valuation is based upon the original cost method, due consideration being given to the economic conditions during the past five years, with the view of securing an average reproduction cost less accrued depreciation.

Mr. Fisher, who represented the consumers at the hearing and who was a stockholder in the old company, made the following statement (Tr. p. 79):

"* * * that plant substantially was sold by the Wibaux Heat, Light and Power Company to this present company, and in the negotiations regarding that matter the plant was believed to be worth, by reason of its earning capacity, and by reason of the costs and investments, somewhere between thirty and forty thousand dollars, and was sold I think to your company for \$37,000."

This sum represented the amount paid for the electric and telephone departments. According to this statement it is apparent that the company paid a substantial sum as "going value." Taking this feature of the sale into consideration and the fact that Mr. Bonner left to the discretion of the Commission the amounts that should be allowed for working capital and loss sustained during construction, we are of the opinion that the value of the electric property for rate making purposes is \$25,000.

The Commission has in its possession copies of letters submitted by the company to the board of equalization re-

garding the value of the property for assessment purposes, and the value placed upon the electric plant is considerably lower than the value placed upon the property by the Commission. In this connection we have found that valuations of utilities submitted for assessment purposes are low and the intangible values are not included. The valuations are, therefore, not a fair and reasonable basis to use for rate making.

The company submitted a detailed statement of operating revenues and expenses for the year ended June 30, 1919, but as the Commission's auditor found the figures submitted to be approximately correct, we shall use the results obtained through the investigation by the Commission's auditor in estimating the operating expenses and revenues for the ensuing year.

The records disclose that the increase in operating expenses since the plant was taken over by the present company is due to the fact that the price of fuel oil has increased 58.17 per cent, and the wages of operating labor have advanced 85.7 per cent since 1916, and to the further fact that since December, 1918, a 24-hour service has been furnished; formerly it was from dusk until dawn only. Therefore, the 24-hour service has materially increased operating expenses, as an additional station operator is required and the fuel consumption, based upon the consumption for the last six months of 1918 and the first six months of 1919, was increased approximately 25 per cent. As this additional expense accrued during the last six months only of the year ended June 30, 1919, in estimating the expenses for the ensuing year, the operating expenses will be increased \$600.00 on account of the additional operator, and \$630.24 on account of the increased consumption of fuel, lubricating oil, waste and maintenance.

There was considerable discussion as to the number of employees necessary for the economical operation of the dual plant. The records of the company show that the wages of the men are prorated and any service rendered the electric or the telephone department is charged to the department for which the service is given. Three men are regularly employed in the operating and maintenance departments of both utilities and it is disclosed that practically the wages

of one man are charged to the telephone department. It should be understood, however, that at various times during the year it is necessary to employ additional help for a short period.

Fuel oil is purchased in carload lots. A record is kept of the daily consumption and at the end of each month the cost of oil consumed is charged to operating expenses.

The following statement shows the number of kilowatts generated, sold and lost in transmission during the year ended June 30, 1919:

Total kilowatt hours generated.....	119,194	K. W. H.
Total kilowatt hours sold.....	95,743	"
Used by company and lost in transmis.	23,451	" or 19.5%
Average cost per kilowatt hour, total production.....		8.48c
Average price received per kilowatt hour sold.....		11.3c
Average cost per kilowatt hour sold.....		11.1c

At present the city is paying a flat rate of six cents per kilowatt hour for pumping service, which is 2.43 cents per kilowatt hour less than the actual cost of production. The contract with the city stipulates, however, that in the event it is found necessary to increase the rates the same ratio of increase shall apply to the pumping service. It is apparent that under existing conditions the company is justified in its application for an increase in rates. Therefore, the contract rate for pumping service would automatically increase to 7½ cents per kilowatt hour. Such a rate would still be .0093 cent under the cost of production.

It is held by nearly all regulatory bodies that a municipality should pay at least the cost of production. Otherwise it would be a discrimination against the other consumers. In this case it would be penalizing the consumers of electricity in favor of the water consumers. Therefore, the six cent rate for pumping service will be cancelled and the city shall receive such service under the regular power schedule which will be amended so that the city will pay at least the approximated cost of production.

Assuming that the city's consumption would be the same as last year, the following results would be obtained under the new power schedule:

ESTIMATED COST FOR PUMPING SERVICE.

First	300	K.W.H.	3600	K.W.H.	@	10c	.....	\$	360.00
Next	300	"	3600	"	"	9c	.....		324.00
Next	400	"	4800	"	"	7c	.....		336.00
Additional	"		8127	"	"	6c	.....		487.62
									<hr/>
Total	"		20127	"					\$ 1,507.62
									<hr/>
Connected Load, 15 H.P. times 12 equals 180 H.P.									
@ \$1.00 per H.P.									180.00
									<hr/>
Average cost per K.W.H.									\$ 1,687.62
									8.38c

The company included in the operating expenses an item of \$90.00 as a reserve for bad debts. We can see no necessity for such a fund, as the company may protect its revenues by adopting the following rule which is authorized by the Commission:

"The company may require a deposit equal to one and one-half the estimated amount of the monthly or billing period bill as guarantee of payment of same. Interest will be paid on consumers' deposits at the rate of six per cent per annum, provided such deposits are left with the company for one month or longer."

An analysis of the operating expenses for the period of July 1 to December 31, 1918, when service was furnished from dusk until dawn, and January 1 to June 30, 1919, the period in which the 24-hour service was furnished, discloses the fact that the revenues received for general lighting service for the six months in 1918 were \$4,062.47, while the six months under the 24-hour service produced a revenue of \$4,036.02, which indicates that there was a decrease under the 24-hour service of \$26.45.

The flat rate for the six months in 1918 produced a revenue of \$806.25, and in the six months in 1919, \$1,097.50, an increase of \$291.25, which is due to the fact that the city, in order to secure 24-hour service, entered into a contract with the company to pay an additional \$50.00 per month for street and municipal lighting. It is, therefore, evident that the revenues received under the flat rate, aside from the city revenues, show a decrease in 1919 of \$8.75.

The revenue under the power schedule for the six months in 1918 was \$478.02; in 1919, \$683.68, showing an increase of \$205.66 in 1919. This increase is accounted for by the fact that at the time the 24-hour service was inaugurated the city rate for pumping service was increased two

cents per kilowatt hour, which amounted to \$182.46. This amount deducted from the total increase of \$205.66 in 1919 leaves an increase in the revenues received for power of \$23.20 in favor of the 24-hour service.

During the six months in which continuous service was furnished, the company sold 10,186 kilowatt hours for power purposes. Of this amount the city's pumps used 9,123 kilowatt hours and the other power consumers 1,063 kilowatt hours. It may be more convenient to operate the pumps during the daytime, but when the business secured from the other power consumers is considered, it must be admitted that a 24-hour service is a luxury that is not justified by the additional expense of \$2500 for operation alone.

Estimated operating revenues for the next twelve months based upon the consumption of kilowatt hours for the year ended June 30, 1919, and the following schedules of rates which are considered just and reasonable under present operating conditions:

LIGHTING RATE.

	Sold	Rate	
First 25 K.W.H.	24,074 @	21c.....	\$ 5,055.54
Next 25 "	8,320 "	19c.....	1,580.80
Next 50 "	7,784 "	17c.....	1,323.28
Next 100 "	4,611 "	15c.....	691.65
Next 300 "	1,403 "	13c.....	182.39
Additional "		10c.....	
			<u>\$ 8,833.66</u>
Less 5% Discount			446.68—\$ 8,386.98

FLAT AND MINIMUM.

346 Minimum Consumers @ \$1.50 each.....	\$	519.00	
103 Flat Rate Charges		153.00	
City Street & Municipal Lighting.....		2,100.00—	2,772.00

POWER.

	Sold	Rate	
First 300 K.W.H.	5145 @	10c.....	\$ 514.50
Next 300 "	3726 "	9c.....	335.34
Next 400 "	4800 "	7c.....	336.00
Additional "	8127 "	6c.....	487.62
Total "	21798		<u>\$ 1,673.46</u>
36 H.P. connected @ \$12 per yr.....			432.00— 2,105.46
Electric Heating			14.88
Non-Operating Revenues			<u>506.05</u>
Total Revenues			<u>\$13,785.37</u>

**ESTIMATED OPERATING EXPENSES
FOR THE NEXT 12 MONTHS**

Power Station, same as 1919.....	\$ 6,788.60
Distribution System, same as 1919.....	26.37
Consumption, same as 1919.....	27.23
General Expenses, same as 1919.....	1,018.82
Undistributed, same as 1919.....	324.55— \$ 8,185.57

Increased Cost of Operation over Fiscal Year 1919 account of 24-hour service:	
Salary Extra Station Operator (6 months)....	\$ 600.00
Increase of \$25 per month in Manager's Salary	300.00
Increased Fuel Consumption 25%, 6 months	421.77
Increased Cost Maintenance, Lubricants, Waste, etc., 6 months.....	208.47— 1,530.24

Taxes	338.37
Depreciation	1,670.00

Total Operating Expenses	\$11,724.18
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SUMMARY

Estimated Operating Revenues	\$13,785.37
Estimated Operating Expenses	11,724.18

Net Revenue	\$ 2,061.19
Return on Investment of \$25,000 approximately 8%.	

ORDER.

This matter being before the Public Service Commission of Montana, and having been duly heard and submitted by the parties, and a full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof,

IT IS THEREFORE ORDERED That the Eastern Montana Light and Power Company's application for an increase in its electric rates for service rendered in the city of Wibaux, Montana, be, and the same is hereby, granted in a modified form.

IT IS FURTHER ORDERED That the Eastern Montana Light and Power Company shall, not later than the tenth (10th) day of December, 1919, file with the Secretary of the Public Service Commission of Montana an amended schedule of electric rates, conforming to the rates heretofore shown under "Estimated Operating Revenues" on Page 6 of this Report and Order, and that said rates shall be in full force and effect on and after December first, 1919.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the parties hereto.

By Order of the	
PUBLIC SERVICE COMMISSION OF MONTANA,	
Helena, Montana,	W. J. HAYNES,
November 29, 1919.	Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Jennison Electric Company of Fairview, Montana, for an Increase in Electric Rates and a Modification of its Rules and Regulations.

DOCKET NO. 728.

HEARING OCTOBER 30, 1919.

DECIDED NOVEMBER 29, 1919.

REPORT AND ORDER

Number 276.

Hearing was regularly held at Glendive, Montana, October 30, 1919, at 11:45 o'clock p. m., with the following appearances:

Warren Jennison,
For the Applicant.

COMMISSIONERS:

Boyle,
Dennis.

The Jennison Electric Company of Fairview, Montana, August 16, 1919, filed an amended schedule of electric rates, which shows an advance over the present rates of five cents per kilowatt hour on each step of the lighting rate. The minimum rate has also been increased from \$1.65 to \$2.00 per month. The heating and cooking rate is advanced one cent per kilowatt hour, and a new charge of \$1.00 per horse power connected has been added to the power rates. To offset this connected load charge a reduction has been made in the sliding scale of rates under this schedule.

The applicant sells power to the Eastern Montana Light and Power Company for the operation of the latter's plant at Sidney, the county seat of Richland county, located eleven miles south of Fairview, and as this company has also peti-

tioned for an increase in its rates, the Commission arranged for a hearing, which was held at Glendive, Montana, October 30, 1919.

At the hearing Mr. Warren Jennison, manager of the company, stated that owing to the daylight saving plan, the spirit of economy and the general depression of business in the territory served by his company, the consumption of electric current had shown a decided decrease. This fact, together with the increased cost of operation, was responsible for the petition for higher rates in order to provide sufficient funds to pay operating expenses, fixed charges and earn a reasonable return on the investment.

The result of the operation of applicant's plant is shown in the following statement of operating revenues and expenses for a period of three years, ended June 30, 1919:

	Year Ended June 30, 1917	Year Ended June 30, 1918	Year Ended June 30, 1919
Operating Revenues	\$19,328.39	\$23,641.00	\$22,067.17
Operating Expenses	17,826.88	22,155.45	22,327.09
Net Revenue or Deficit	\$ 1,501.51	\$ 1,485.55	\$ 259.92*
*Deficit.			
Total K. W. H. Sold.....	425,100	584,230	503,642
Average Price Rec'd per K.W.H.....	.0454	.0404	.0438
Average Cost per K.W.H.....	.0419	.0379	.0443

The foregoing statement indicates that the plant has not been a paying investment and for the year ended June 30, 1919, a deficit of \$259.92 is shown, with no allowance for a return on the investment. Under present operating conditions the expenses for the year ending June 30, 1920, will be materially increased. Due to increased wages and salaries coal will cost \$2,440.39 more than last year; salaries, \$480.00; taxes, \$501.41; insurance, \$300.00; making a total increase of \$3,721.80.

The company also operates a lignite coal mine which adjoins the electric plant. Screenings or slack coal is sold to the electric plant at actual cost. The manager, on being questioned as to how the price of slack coal was determined, stated that mine run coal delivered on the tipple cost \$2,594, and the price of slack was determined as follows:

100	Tons Mine Run cost	\$259.40
70	Tons Screened Lump @ \$.75	192.50
30	Tons Slack cost	\$ 66.90
1	Ton Slack cost	2.23

The slack coal is delivered to the electric plant by tram cars at \$2.25 per ton . This price is an advance of 75 cents per ton over 1917 due to increased wages to the miners.

In addition to furnishing electric service to the residents of Fairview the company sells power wholesale to the Eastern Montana Light and Power Company, delivered over an eleven-mile, 13,000 volt transmission line, to Sidney, Montana, where it is retailed for light and power by the latter company. A recording meter is installed at each end of the Sidney transmission line and under the contract between the two companies the bills are rendered as measured on the switchboard at Sidney. This means that the Jennison company stands the expense of all power lost in transmission. It is impossible to compute exactly what this amounts to in a year as the Sidney and Fairview meters have not always been read on the same day and complete readings of the Fairview meter for one year are not available. The data at hand indicate that the total loss is nine per cent but a correction should be made for one consumer between the two terminals with a three horse power motor connected. It has not been convenient to read this meter at regular intervals and it is, therefore, impossible to make the correction. It is reasonable to assume, however, that the loss between terminals is seven per cent.

The Jennison Electric Company owns and maintains the Fairview-Sidney transmission line and furnishes power to the Eastern Montana Light and Power Company under a ten-year contract based upon the following rates:

First	10,000	K. W. H.	@	4½c	per	K. W. H.
Next	10,000	"	"	3½c	"	"
Next	10,000	"	"	2½c	"	"
Additional		"	"	2c	"	"

When the contract was filed the Commission in acknowledging receipt of same advised Frank C. Hughes, president of the Glendive Heat, Light and Power Company, the predecessor of the Eastern Montana Light and Power Company, under date of March 18, 1916, as follows:

"* * * These rates are not approved for the life of the contract, or any other definite time, and may be revised at any time by this Commission."

Under present operating conditions the contract rates are discriminatory, inasmuch as they favor Sidney at the

expense of the consumers of Fairview. As the transmission line was expressly built for the purpose of furnishing power at reasonable rates to Sidney, the Commission is of the opinion that the transmission line and the Sidney load should be self-sustaining, and will so hold.

The total number of kilowatt hours sold by the Jennison Electric Company during the period July 1st, 1918, to June 30, 1919, was 503,652. Of this amount 212,920, or 42 per cent, were sold to the Eastern Montana Light and Power Company for distribution at Sidney. During the same period the operating expenses of the Jennison Electric Company were \$22,601.26, making the production cost 4.43 cents per kilowatt hour. The average price received from the Eastern Montana Light and Power Company was 4.08 cents, or 35/100 of a cent less than the cost of production. We are, therefore, of the opinion that the rate charged for service furnished Sidney should be sufficiently high to insure a return on the investment in the transmission line and to pay the maintenance, taxes and the depreciation on the transmission line, also 42 per cent of the estimated cost of coal, labor and general expenses of the power station of the Fairview plant. Hence the Commission will hold that a flat rate of six cents per kilowatt hour for service furnished the Eastern Montana Light and Power Company is a just and reasonable rate.

The flour mill operated by Jennison Brothers secures its power from the Jennison Electric Company. Due to the drouth and short crop in the vicinity of Fairview the mill ceased operation in June, 1919, and will not be placed into operation again until the new crop of wheat is harvested in 1920. Therefore, in estimating the operating expenses and revenues for the ensuing year the flour mill will not be considered.

For the fiscal year ended June 30, 1919, the Fairview plant consumed 4,700 tons of coal. For the first five months—July to November, inclusive—of the above year, with the mill in operation, 2,109 tons were consumed. The same five months in 1919, with the mill out of operation, 1,864 tons were used, a difference of 245 tons, or 11.62 per cent. Assuming that with the exception of the flour mill the business would be the same as last year and deducting the above per-

centage from last year's consumption, it would indicate that with the flour mill out of operation the consumption of coal this year would be reduced 546 tons, which would make the total consumption for this year 4,154 tons. This consumption will be used as a basis in estimating the operating expenses for the ensuing year.

When the hearing was held at Glendive, Mr. Warren Jennison, the manager of the Fairview plant, informed the Commission that any schedule of rates authorized for Fairview should be on the same basis as the rates authorized for Sidney. Mr. Jennison evidently overlooked the fact that his investment is greater than the Sidney investment and that he serves only 152 consumers while Sidney has a distribution system only to maintain and serves 385 consumers. Therefore it would be impossible to place both cities on the same basis for rate making purposes, as the investment and local operating conditions are controlling factors in rate adjustments. In determining, however, what would constitute a reasonable rate, consideration will be given to Mr. Jennison's request.

To earn an adequate return on the investment the maximum lighting rate at Fairview should be 22 cents per kilowatt hour, with a corresponding increase in power rates. Owing, however, to Mr. Jennison's attitude the Commission will authorize the rates petitioned for, as no doubt, when the flour mill is again operated the increased earnings will put the plant on a paying basis.

There appears in the inventory an item of \$3,275 which represents an investment in the house used by the manager. Except in isolated locations, where it is necessary for utilities to construct dwellings for employes, this Commission does not approve of such an expenditure as a part of the plant investment, particularly in view of the fact that Mr. Jennison, in conjunction with the electric plant, operates a coal mine and a flour mill. Hence the investment in the house should be treated as an independent investment, and we are eliminating the value of the dwelling from the investment in the electric department.

The Commission's engineer made an appraisal of the property and the Commission's auditor made an audit of the

book accounts of the company. For rate making purposes the following valuation has been placed upon the property of the Jennison Electric Company:

Tangible Values.

Land	\$ 1,650.00	
Power House	4,176.00	
Office Building and other Structures	1,182.00	
Mechanical & Electrical Equipment	17,260.00	
Distribution System	8,172.00	
General Equipment	2,984.00	\$35,424.00

Sidney Transmission Line & Sub-station	10,000.00
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Intangible Values.

Organization, Engineering, Omission & Interest during Construction	5,000.00
Working Capital	2,500.00

Total Value	\$52,924.00
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The following statement shows the estimated operating revenues, based on the consumption of kilowatt hours during the year ended June 30, 1919, and on the new rates authorized, with the elimination of the revenue received from the Jennison flour mill:

Commercial Lighting (net)	\$ 6,376.10
690 Minimum Consumers @ \$2.00	1,380.00
11 City Lights @ \$3.00 per month, \$33 times 12	396.00
Total Lighting Revenue	\$ 8,152.10
Heating and Cooking	709.70
Power (including connected load charges)	4,266.10
Sidney Transmission Line Revenue	12,775.20
Total Estimated Revenue	\$25,903.10

The following statement shows the estimated operating expenses based on the expenses of the fiscal year ended June 30, 1919, plus the increased cost of fuel, labor and supplies and other expenses:

Salaries Manager and Accountant	\$ 2,700.00
Power Station Wages	6,180.00
Fuel, 4154 tons @ \$2.25	9,346.50
Maintenance and Supplies	1,280.16
General Expenses	352.79
Insurance	658.70
Taxes	882.39
Depreciation	3,154.10
Total Estimated Operating Expenses	\$24,554.64
Estimated Net Return	\$1,348.46
Return on Investment	2.54%

CONCLUSIONS.

The business in Fairview hardly justifies the investment in the plant. The plant is modern and up-to-date and furnishes splendid service. The city is fortunate in having a lignite coal mine located in its immediate vicinity, which makes it possible for the company to furnish service at a lower rate than if coal had to be shipped in from outside

points. Giving this feature consideration the rate authorized may be considered high, but it should not be overlooked that the city is small and the average number of consumers served does not exceed one hundred and fifty, and it is an established fact that the average cost of furnishing service per consumer is greater where the number of consumers is small than where the number of consumers is large and the company has a wider field for expansion.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Jennison Electric Company of Fairview, Montana, for an increase in its electric rates be, and the same is hereby, granted in a modified form.

IT IS FURTHER ORDERED That the Jennison Electric Company shall not later than the 30th day of November, 1919, cancel all of its electric schedules and in lieu thereof file with the Secretary of the Public Service Commission of Montana the following schedules of rates, which shall be in full force and effect on and after December first, 1919:

LIGHTING RATES:

	First	25	K.	W.	H.	used	per	month	20c	per	K.	W.	H.
Next	25	"	"	"	"	"	"	"	19c	"	"	"	"
Next	50	"	"	"	"	"	"	"	18c	"	"	"	"
Next	100	"	"	"	"	"	"	"	17c	"	"	"	"
Next	300	"	"	"	"	"	"	"	15c	"	"	"	"
Next	500	"	"	"	"	"	"	"	14c	"	"	"	"
Next	1000	"	"	"	"	"	"	"	13c	"	"	"	"
Additional		"	"	"	"	"	"	"	10c	"	"	"	"
Monthly minimum charge	.....\$2.00												

Five per cent discount if bill is paid by the 10th of the month following the month in which service was rendered.

HEATING AND COOKING RATE:

Per K. W. H.	.....	5c
Monthly Minimum Charge	.....	\$2.00

MUNICIPAL LIGHTING RATE:

Lamps—Present Capacity \$3.00 per Lamp per Month.

POWER RATES:

For Fairview and East Fairview only. Monthly charge of \$1.00 per H. P. per month, plus the following sliding scale of rates:

	First	100	K.	W.	H.	used	per	month	8c	per	K.	W.	H.
Next	100	"	"	"	"	"	"	"	7c	"	"	"	"
Next	200	"	"	"	"	"	"	"	6c	"	"	"	"
Next	600	"	"	"	"	"	"	"	5½c	"	"	"	"
Additional		"	"	"	"	"	"	"	5c	"	"	"	"

SIDNEY TRANSMISSION LINE RATE:

Flat rate of 6c per K. W. H.	.....
Monthly Minimum Charge	.....	\$700.00

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the interested parties to this proceeding.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
November 30, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Eastern Montana Light and Power Company for a Modification of its Rates, Rules and Regulations Governing Electric Service in the City of Sidney, Montana.

DOCKET NO. 734.

**HEARING OCTOBER 30, 1919.
DECIDED NOVEMBER 29, 1919.**

**REPORT AND ORDER
Number 277.**

Hearing was regularly held at Glendive, Montana, October 30, 1919, at 8:45 o'clock p. m., with the following appearances:

F. P. Lelper,
E. J. Condon,
For the Applicant.
F. J. Matoushek,
C. E. Collett,
Carl L. Brattin,
For the City of Sidney and Its Inhabitants.

COMMISSIONERS:

Boyle,
Dennis.

Electrical energy in the city of Sidney, Montana, is distributed by the Eastern Montana Light and Power Company, which concern also operates in Glendive and Wibaux, Montana. August 18, 1919, the Commission received an application from the company for permission to publish and place into effect rates that were considerably higher than those charged at the present time.

The plant at Sidney originally was constructed in 1915 by a group of Glendive capitalists, and for a period of one year the company generated its own power. March 18, 1916,

the company contracted to purchase current from the Jennison Electric Company, at Fairview, a town eleven miles north of Sidney, at the following rates:

First	10,000	K.	W.	H.	4½c	per	K.	W.	H.
Next	10,000	"	"	"	3½c	"	"	"	"
Next	10,000	"	"	"	2½c	"	"	"	"
Additional		"	"	"	2c	"	"	"	"
Minimum charge \$6,000 per annum.									

The present company purchased the plant June 30, 1917, and as the contract for power with the Jennison Electric Company did not expire until 1926, the company dismantled the original plant equipment, a portion of which was sold or moved to other points, and the balance, including the power building, is still in the possession of the company. In discontinuing a portion of its investment the company has sustained a direct loss, but inasmuch as the service has been improved at rates much lower than it would be possible to furnish the service for if power were generated, under present operating conditions, from coal, which would have to be shipped into Sidney, we are of the opinion that the consumers should stand their share of the loss.

Property of this nature, at one time useful, which has been abandoned in the interest of the consumers, should not be entirely eliminated from the investment upon which a utility is entitled to earn a fair return. If a utility is not reimbursed for such an investment development would be retarded to the injury of the public.

In view of the present market conditions and the inability of the company to dispose of the property, the Commission will hold, inasmuch as the switchboard is installed in the power station and the building is used for a storeroom for machinery and supplies, that \$3,000 of the reproduction cost of \$6,339.56 should be included in the present value of the property for rate making purposes. The return on \$3,000 is equivalent to \$240 per year, or a monthly rental for the building of \$20.00, which is considered a reasonable allowance for the building when consideration is given to the purpose for which it is used. Should the company sell the building, the \$3,000 allowed for rate making purposes should be deducted from the present value of the physical property. The balance of the investment in the building and the depreciated value of the engines and equipment should be

amortized over a period of five years by permitting the company to charge to operating expenses \$1,378.00 per year, which would make the amortization account \$6,889.56.

In comparison with plants in similar cities, using coal to generate current, under the abnormally high cost of operation, the present arrangement of purchasing power wholesale saves the consumers of Sidney approximately \$4,000 per year. Deducting the yearly amortization charge of \$1,378.00 leaves a net gain of \$2,622.00, and at the expiration of the amortization period of five years the saving will be \$4,000 per year in favor of the transmission line.

The Jennison Electric Company, of Fairview, owns and maintains the Fairview-Sidney transmission line and furnishes current to the Eastern Montana Light and Power Company under a ten-year contract based upon the rates heretofore shown. When the contract was filed, the Commission in acknowledging receipt of it, advised the Glendive Heat, Light and Power Company, the predecessor of the petitioning company, under date of March 18, 1916, as follows:

“* * * These rates are not approved for the life of the contract, or any other definite time and may be revised at any time by this Commission.”

During the fiscal year ended June 30, 1919, the Sidney plant purchased from the Jennison Electric Company, under the foregoing contract rates, 212,920 kilowatt hours or 42 per cent of the Fairview output, at an average cost of 4.08 cents per kilowatt hour, which was 35/100 of a cent under the actual cost of production. The current was measured on the switchboard at the Sidney end of the transmission line, and the Jennison company, in addition to losing 35/100 of a cent on each kilowatt hour sold to Sidney, also sustained a transmission loss of approximately seven per cent over and above the current paid for by the Eastern Montana Light and Power Company. It is apparent, therefore, that the contract rates are too low and are discriminatory, inasmuch as they favor Sidney at the expense of the consumers of Fairview.

As the capacity of the equipment installed in the Fairview plant was increased and the transmission line to Sidney was expressly built for the purpose of furnishing current to

Sidney at reasonable rates, the transmission line and the Sidney load should be self-sustaining, and the consumers at Sidney should pay a rate sufficiently high to reimburse the Fairview company for the cost of production of the current sold to Sidney and to yield a return of eight per cent on the physical value of the transmission line, together with its apportionment of taxes, depreciation and maintenance, and from all the facts and testimony adduced the Commission has reached the conclusion that a flat rate of six cents per kilowatt hour for all current purchased from the Jennison Electric Company, with a monthly minimum charge of \$700.00, is a fair and reasonable charge, to the utility as well as to the Sidney consumers, for this service.

There was considerable discussion regarding the salaries charged against the Sidney plant. The Eastern Montana Light and Power Company operates electric plants in Glendive, Sidney, Wibaux and Beach. The headquarters of the company are at Glendive where all book accounts are kept. The salaries of the auditor and the clerical staff are prorated on the number of consumers in each city. Glendive has 792 consumers and is charged 40 per cent; Sidney has 385 consumers and is charged 20 per cent, which charge is considered fair and reasonable. The petitioning company maintains no regular office at Sidney but pays a local electrician to read meters, make repairs, and otherwise look after the interests of the utility.

At the hearing held at Glendive the company submitted data showing the number of kilowatt hours purchased, sold and lost in distribution, and the revenues and operating expenses for a period January first to June 30th, 1919, which disclosed a decided decrease over the same period in 1918.

The Commission's engineering department made an exhaustive valuation of the Sidney plant, but it was difficult to obtain actual costs of the various items as the original invoices and cost sheets in most cases could not be produced by the employees of the company. The property was inventoried and an attempt was made by the engineer to fix a fair value for rate making purposes, and as no actual costs were available the object was to fix the cost of reproduction less depreciation, with due consideration being given to the

economic conditions, and for rate making purposes the following valuation has been placed upon the Sidney property:

PROPERTY USED AND USEFUL (OWNED BY EASTERN MONTANA
LIGHT AND POWER COMPANY.)

TANGIBLE VALUES:

Land	\$ 500.00
Building	3,000.00*
Mechanical and Electrical Equipment	765.00
Distribution System	15,000.00
General Equipment	175.00

INTANGIBLE VALUES:

Organization	\$ 600.00
Engineering, Supervision and Omissions.....	1,639.00
Working Capital	500.00

Total Physical Value	\$22,179.00
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PROPERTY NEITHER USED NOR USEFUL.

Subject.	Reproduction Cost	Amortization Value
Building	\$6,339.56	\$3,339.56
Engines	6,000.00	3,000.00
Miscellaneous Station Equipment.....	200.00	100.00
Railway Siding	550.00	450.00
	<u>\$13,089.56</u>	<u>\$6,889.56**</u>

PROPERTY OWNED BY JENNISON ELECTRIC COMPANY.

Fairview-Sidney Transmission Line and Sub-Station.....	\$10,000.00
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Total Value for Rate Making.....	\$39,068.56
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*As the switchboard is installed in the power station and the building is also used for storage of electrical equipment and machinery, a \$3,000 value of the building has been allowed for rate making purposes.

**The amount the company will be permitted to amortize by charging to operating expenses \$1.378 per year for a period of five years.

The following statement shows the estimated operating revenues for the next twelve months, based upon the consumption for the year ended June 30, 1919, and the new rates authorized:

LIGHTING, 76,753 K. W. H.....	\$13,005.36	
Less 10% Discount	1,300.53	
	<u>\$11,704.83</u>	
1050 Minimum Consumers @ \$1.50.....	1,575.00	
Municipal and Flat Rates	1,681.75	\$14,961.58
POWER, 23,441 K. W. H.....	\$1,627.43	
Less 10% Discount	162.74	
	<u>\$1,464.69</u>	
1002 H. P. Connected Load (Year).....	1,002.00	\$2,466.69
HEATING AND COOKING:		
118 Minimum Charges @ \$2.00.....	\$ 236.00	
36,614 K. W. H. @ 7c.....	2,562.98	\$2,798.98
MUNICIPAL PUMPING:		
12,400 K. W. H. @ 7c.....		\$868.00
Total Estimated Revenues		<u>\$21,095.25</u>

The following statement shows the estimated operating expenses based on expenses for the year ended June 30, 1919, plus the increased cost of power and amortization account:

Power, 212,920 K. W. H. @ 6c.....	\$12,775.20	
General (Including Salaries)	2,709.64	
Undistributed	572.39	
Consumption	153.40	
Distribution	12.33	
Depreciation	1,290.90	
Amortization, \$6,890 in Five Years.....	1,378.00	
Total Estimated Expenses		\$18,891.86
Gross Income		\$2,203.39

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Eastern Montana Light and Power Company for an increase in its electric rates for service furnished its patrons in the city of Sidney, Montana, be, and the same is hereby, approved in a modified form.

IT IS FURTHER ORDERED That the Eastern Montana Light and Power Company shall, not later than the 30th day of November, 1919, cancel all its electric schedules in Sidney, Montana, and in lieu thereof file with the Secretary of the Public Service Commission of Montana amended schedules providing for the rates shown on the following page:

LIGHTING:

First	25	K. W. H. used	per month	18c	per	K. W. H.
Next	25	"	"	17c	"	"
Next	50	"	"	16c	"	"
Next	100	"	"	15c	"	"
Next	300	"	"	13c	"	"
Next	500	"	"	12c	"	"
Additional	"	"	"	10c	"	"
Monthly Minimum Charge						\$1.50

Ten per cent discount on all bills if paid by 10th of month following the month in which service was rendered.

MUNICIPAL LIGHTING:

Lamps—100 Watts	\$3.00 per Lamp
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COMMERCIAL AND INDUSTRIAL POWER:

Motors \$1.00 per month per horse power connected, plus the following sliding scale of rates:

First	100	K. W. H. used	per month	8c	per	K. W. H.
Next	100	"	"	7c	"	"
Next	200	"	"	6c	"	"
Next	600	"	"	5½c	"	"
Next	1000	"	"	5c	"	"
Additional	"	"	"	4½c	"	"

Ten per cent discount on all bills paid by the 10th of the month following the month in which service was rendered.

HEATING AND COOKING:

7c per K. W. H. Minimum Monthly Charge.....	\$2.00
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CITY OF SIDNEY:

Pumping Service	7c per K. W. H.
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IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the parties hereto, and that said order shall be in full force and effect on and after December first, 1919.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
November 30, 1919.

W. J. HAYNES,
Secretary.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF MONTANA.**

IN THE MATTER Of the Application of the Eastern Montana Light and Power Company for a Modification of its Rates, Rules and Regulations Governing Electric Service in the City of Glendive, Montana.

DOCKET NO. 732.

IN THE MATTER Of the Application of the Eastern Montana Light and Power Company for a Modification of its Rates, Rules and Regulations Governing Heating Service in the City of Glendive, Montana.

DOCKET NO. 735.

**HEARINGS OCTOBER 30, 1919.
DECIDED NOVEMBER 29, 1919.**

**REPORT AND ORDER
Number 278.**

Hearing was regularly held in the above-numbered dockets October 30, 1919, at ten o'clock a. m., at Glendive, Montana, with the following appearances:

F. P. Lelper,
E. J. Condon,
For the Applicant.
D. E. Druen,
For the Water Department, City of
Glendive.
G. H. Jacobus,
For the Northern Pacific Ry. Co.
H. J. Haskell,
For Certain Consumers.
J. J. Ermatinger,
For the Glendive Chamber of Commerce.

COMMISSIONERS:

Boyle,
Dennis.

(A joint hearing was conducted in the above-numbered dockets and inasmuch as the questions involved are so closely

allied and the utilities are operated as a unit, a joint order will be issued to cover both cases.)

The Eastern Montana Light and Power Company is engaged in the business of generating electricity and steam for the purpose of furnishing light, power and heat to various consumers in the city of Glendive, Montana. The Commission has heretofore conducted various investigations in the matter of rates, rules and regulations, both of the predecessor of this company and of the present owners. It is, therefore, fully conversant with the history of the plant and the conditions under which it is rendering service.

During the latter part of 1918 the utility filed with the Commission amended schedules setting forth certain increases for electricity and a modification of its rules and regulations governing this class of service. To determine the reasonableness of the application a hearing was held in the city of Glendive January 15, 1919. A full investigation, including an audit of the book accounts, disclosed that the operating accounts of the electric and heating departments were so interwoven that it was impossible to determine with any degree of accuracy the operating expenses chargeable to each utility.

The original plant of the Glendive Heat, Light and Power Company, the predecessor of the present owners, was operated with non-condensing engines of a type from which the exhaust steam could be profitably distributed through mains for heating purposes. The present power station is designed primarily as an electric plant and does not lend itself so well to furnishing steam heat, and it was apparent that the consumers of heat were not bearing their just portion of the operating expenses of the dual system.

In the absence of proper apportionment of operating expenses between the two utilities, the Commission was unable to determine just and reasonable rates. Due, however, to the increased cost of operation it was evident that the company was entitled to an emergency relief which was authorized as a temporary measure by an increase of 20 cents per one thousand pounds of condensation on each step of the heating schedule, and by certain increases in the electric rates.

While this case was still pending, August 18, 1919, the company filed a new application, requesting authority to further revise its schedules and to place into effect electric light rates ranging from 20 cents to seven cents per kilowatt hour for the various steps of its schedule, with a five per cent discount for prompt payment of bills and a monthly minimum charge of \$1.50; cooking and heating rate, five cents per kilowatt hour, with a minimum of \$2.00 per month; and a power rate schedule ranging from eight cents to three and one-half cents per kilowatt hour on the various steps of its schedule, with a charge of one dollar per horse power of connected load.

On the same date the company also filed an application for permission to charge from \$1.15 to 80 cents per one thousand pounds of condensation on the various steps of its schedule, with a minimum of \$7.50 per month, for steam heating service furnished in the city of Glendive. This is the schedule under which the company is now temporarily operating and the petition asks to have it permanently established.

At the hearing held at Glendive October 30, 1919, petitioner filed another amendment to its original application, requesting authority to increase the present rate of two dollars for one hundred candle power lamps to three dollars for all street lights furnished in the residence districts, the new rate to include the furnishing of the lamps and maintenance.

Witnesses for the company stated that under present conditions the rates petitioned for were necessary in order to provide sufficient funds to pay operating expenses, fixed charges and earn a reasonable return on the investment, and to substantiate this statement exhibits were submitted showing the physical valuation of the property as of 1916, and operating expenses and revenues for two years—1916 and 1918—together with other data in reference to operating expenses.

VALUATION ELECTRIC AND STEAM HEATING DEPARTMENTS.

ITEM	Henry I. Lea for Company (1916)		James H. Bonner for Commission 1919		D. E. Druen, City Eng. for County Board Equalization
	Repro- duction Cost	Present Value 1916	Repro- duction Cost	Present Value 1919	Depre- ciated Value 1919
PHYSICAL PROPERTY:					
Land	\$ 5,152	\$ 5,152	\$ 3,000	\$ 3,000	\$ 2,800
Buildings	33,256	31,876	26,485	22,256	18,600
Plant Equipment	82,578	72,938	45,854	34,616	49,315
Distribution System:					
Electric	65,263	55,833	35,855	24,603	13,200
Heating			18,491	12,801	17,800
General Equipment	1,152	1,152	6,550	5,355	3,150
Total	\$187,401	\$166,951	\$136,235	\$102,631	\$104,865
INTANGIBLE VALUES:					
Organization			\$ 2,594	\$ 2,594	
Eng. Omissions, Waste			10,375	7,885	
Working Capital	\$ 6,348	\$ 6,348			
Going Value	50,000	50,000			
Total	\$243,749	\$223,299	\$149,204	\$113,110	\$104,865

The report of Henry I. Lea was made in 1916 for the Savings Bank and Trust Company of Chicago. An examination of his detailed report, copy of which is in the possession of this Commission, indicates that the values applied to the different units and the arbitrary allowance for intangible values are extremely high. The company in presenting Mr. Lea's report also submitted a list of items that have been added to the plant equipment since 1916. It has, however, neglected to deduct depreciation for the past three years, also the property listed in the report that has been abandoned or removed. Mr. Lea's valuation includes an item of \$50,000 for "going value." While a utility may have a going concern value in case of a sale of the plant by reason of its holding a monopoly on a given field, such a value is seldom allowed for rate making purposes.

Mr. Druen makes no allowance for any intangible values, for the reason that his valuation was made on the physical property only for tax assessment purposes.

In placing a valuation upon the property Mr. Bonner used, where it was possible, the original cost method, giving due consideration to economic conditions during the past five

years, with a view of securing an average reproduction cost. Taking into consideration the depreciation deducted by Mr. Bonner and the fact that he has left to the discretion of the Commission the amounts that should be allowed for working capital and loss sustained during construction, we are of the opinion that the present value of the property for rate making purposes should be \$125,000.00.

For comparative purposes the totals only of the detailed statement of operating expenses and revenues for the fiscal years 1916 and 1919 will be shown here. Said totals are as follows:

	Operating Expenses	Operating Revenues
Year Ended June 30, 1919.....	\$66,242.11	\$60,944.63
Year Ended June 30, 1916.....	43,914.98	58,442.05
Increase in 1919.....	\$22,327.13	\$2,502.58
Increase in 1919, per cent.....	51%	4.3%

Counsel for the consumers entered an objection to the above comparison on the ground that it had no bearing upon the case. It is true that the Commission, in arriving at its conclusions in this case, will give no consideration to the business done in 1916. The figures show, however, that while operating expenses in 1919 increased 51 per cent over 1916, the increase in the operating revenues over 1916 was only 4.3 per cent. The comparison is, therefore, valuable in setting forth the fact that if the present rates were just and reasonable in 1916 they are wholly inadequate under present operating conditions.

The following statement shows the total number of kilowatt hours generated, the number sold, the amount used by the company, and the loss in transmission, together with the average cost per kilowatt hour sold and the average price received for same, as submitted by the company:

	K. W. H.	Per Cent
Power generated year ended June 30, 1919.....	1,013,370	
Total Sold (Including "White Way" Street Service).....	660,218	65.15
Used by Company (for Operation).....	157,424	15.53
Loss in Transmission.....	195,728	19.32
Average Cost per K. W. H. Total Production Based Upon Operating Expenses Electric Department.....	\$.0498	
Average Cost per K. W. H. Sold Based Upon Operat- ing Expenses, Electric Department.....	.0762	
Average Price Received per K. W. H. Sold Based Upon Earnings Electric Department.....	.0739	

It will be noted that the loss in transmission was 195,728 kilowatts, or 19.32 per cent, which compares favorably with the loss sustained by the average utility operating under similar conditions in Montana.

The following statement, submitted by the company, shows the maximum lighting rate and the monthly minimum charged by electric utilities in other cities of the state operating under similar conditions:

City.	Lights Per K. W. H.	Minimum Rate.
Forsyth	20c	\$2.00
Geraldine	22c	2.00
Hardin	22c	2.00
Harlem	22c	1.50
Malta	20c	1.50
Poplar	20c	1.50
Terry	20c	1.50
Valier	20c	1.50
Wolf Point	22c	1.50

The above rates were secured from the files of the Commission. In most cases the rates shown were granted by the Commission after a complete investigation. They are, therefore, considered reasonable under present operating conditions in the different localities.

Witness for the consumers and a stockholder in the old company was placed upon the stand. He testified to the successful operation of the plant prior to 1917 and stated that the dual system paid annual dividends of 16 or 18 per cent on an investment of \$182,000.00. An examination of the annual reports on file with the Commission shows the average net earnings of the Glendive Heat, Light and Power Company, the predecessor of the present company, for a period of fiscal years beginning with 1914 and ending with 1917, inclusive, to be \$12,269.70 per year. Witness, however, overlooked the fact that the earnings of the telephone department were also included in the gross earnings from which the foregoing net earnings were derived.

The telephone plant was sold in 1917 for \$35,000.00. The annual reports of the Glendive Heat, Light and Power Company disclose that yearly dividends of \$12,000.00 were paid the stockholders. This sum represents a return of 6.6 per cent on an investment of \$182,000.00. Witness no doubt had reference to a special dividend declared in 1917 from the proceeds of the sale of the telephone property. Such statements, however, given under oath at a public hearing are unduly prejudicial to the present company and reflect upon its management. It should be understood that rate adjustments are based upon the present value of the property, operating expenses and revenues and not upon the history or operating conditions of the past. As the operating ex-

penses of the present company show an increase for the year ended June 30, 1919, over 1916, of \$22,327.13, while the operating revenues were only increased \$2,502.58, it can readily be seen why the present company is losing money under the present rates.

Counsel for the consumers, in cross-examining the auditor of the company, demanded a statement showing the names of all consumers and the number of kilowatt hours used each month for a period of one year. As the Commission has on file such a statement secured by the Commission's auditor, covering the calendar year of 1918, which shows that service had been rendered to 808 consumers, and as the company stated that they were serving only 792 consumers at the present time, the Commission ruled that it would not be necessary to compile the data again, as the difference is in favor of the consumers.

In Report and Order No. 260 the Commission ordered that the company should, not later than the first day of April, 1919, equip its plant with steam recording gauges and meters, and after a fair test segregate the production costs chargeable to the heating department from those chargeable to the electrical department. A flow meter has been added to the system, but the results obtained to date are valueless. The station log shows that the meter has been out of order almost continuously since its installation. The president of the company in his testimony before the Commission stated that steam meter manufacturers say it is useless to install a steam flow meter on a system that has steam injected into the lines from an impulsive or reciprocating engine. The Commission had in mind a recording device similar to the St. Johns steam meter manufactured by the American District Steam Company. This instrument prepares a chart record, indicating the steam consumption at all hours. It is guaranteed by the manufacturers to be accurate under steady or varying loads.

The Commission has given careful consideration to the computations and discussion of Mr. D. E. Druen, city engineer of Glendive, presented at the date of the hearing. His arguments and diagrams clearly demonstrate the advantage to the company if the city pumping load could be arranged

to fall in the valleys of the load curve. Such an arrangement not only would reduce the daily peak load, but would improve the load factor and permit the company to operate the small unit from 12 to 18 hours per day. It must be recognized that co-operation is to the best interests of all citizens of Glendive, as any condition that tends to increase operating costs in the electric plant must ultimately be borne by the consumers. The diagrams submitted and the testimony introduced indicate that the water company has made no attempt to favor the electric utility.

In arranging for a power schedule in this case a rate of .035 cents has been provided for a connected load of 125 horse power or more. This rate, plus the city's maximum demand of 135½ horse power connected load, applied to the city's consumption of 193,592 kilowatt hours used for pumping service in 1918, makes the average cost per kilowatt hour 4.34 cents. The cost of production during the past year was 4.98 cents per kilowatt hour. Therefore the authorized rate herein provided should be considered as an off-peak load rate and the pumps should be operated accordingly. Otherwise the power schedule should be revised. A lower rate than 4.34 cents per kilowatt hour would favor the water consumers at the expense of the electric consumers. The situation can best be adjusted by both companies showing a spirit of hearty co-operation and arranging hours for pumping that will work to the best advantage of all concerned.

The coal consumption for the year ended June 30, 1919, was 8,487 tons which cost \$34,100.27, an average of \$4.13 per ton f. o. b. Glendive. Since September first, 1919, the same grade of coal cost at the mine \$2.00, freight \$2.50, war tax seven cents, or \$4.57 per ton. Assuming that the consumption of coal would be the same for the ensuing twelve months, 8,487 tons at \$4.57 would cost \$38,785.59, an increase in fuel over last year of \$4,685.32. The increase in taxes this year is 94.5 per cent, or \$1,456.15. The schedules of rates authorized in this report and order are based upon the present price of coal, \$4.57 per ton f. o. b. Glendive. If through the adjustment of labor troubles or other causes the price of coal is advanced, a corresponding increase in the electric and steam heating rates will be necessary.

The Northern Pacific Railway Company is a patron of the electric company and uses considerable light and power. As a check against the consumption of coal shown on the books of the electric company for last year, the superintendent of the railway company submitted a statement of figures taken from the railway company's station accounts, which indicated that the electric company had received 163 cars of coal, or approximately 7,538 tons. The records of the electric company showed 195 cars, or 8,487 tons, a difference of 32 cars, or approximately 949 tons. As the difference represented considerable money, the Commission made a further investigation and requested the utility and the railway company to make a joint check to determine the correctness of the figures submitted at the hearing. After considerable delay we were furnished a joint statement, signed by the utility and by the superintendent of the railway company, which showed that the statement submitted by the railway company at the hearing was erroneous, inasmuch as it was, according to the station agent's records, 28 cars short. There still exists a difference of four cars in favor of the electric utility, and in reference to the discrepancy the utility makes the following explanation:

"* * * The difference in the four cars of coal which we do not seem to be able to locate I imagine is a case like today. A car of coal came to W. E. Martin. The coal was such that he could not use it for local delivery on account of slack. We took this car over and paid him the freight. Consequently the freight records will show that we did not get this car of coal, as it was billed to Mr. Martin."

As the Commission has made a complete audit of the utility's book accounts and found the consumption of coal as submitted by the utility to be correct, we are inclined to believe that the records of the utility are to be relied upon, and the Commission will so hold. In connection with this matter, witnesses for the consumers, in submitting testimony or exhibits in reference to the operating expenses and revenues of a utility should know beyond a reasonable doubt that the information submitted for the consideration of the Commission is based upon facts that can be substantiated.

Otherwise such information is misleading and involves additional work for the Commission in determining the real facts.

In view of the fact that this plant was primarily an electric property, the "additional cost" method will be used in determining the proportionate operating expenses and fixed charges assignable to each department.

During the months of June, July and August, 1919, (off-heat months), the company generated 278,002 kilowatt hours and consumed 1,814 tons of coal, or a requirement of 12.3 pounds per kilowatt hour. It may be assumed, therefore, that additional coal used during the heating season was required for heating only.

Proceeding on the assumption that each kilowatt hour generated requires 12.3 pounds of coal, the 1,013,370 kilowatt hours generated for a period of 12 months required a total of 6,232 tons. The total consumption for the year ended June 30, 1919, was 8,487 tons, indicating that the steam heating requirements were 2,255 tons, or 26½ per cent of the total.

As this estimate is based on the coal consumption of the mildest winter Montana has known in years, the Commission recognizes the fact that the 2,255 tons estimated for the heating department will be somewhat below the average. However, all steam services of this utility are metered and therefore in a severe winter, while the coal consumption would increase, the condensation sold and the revenues to the company would increase in the same ratio.

The heating department should, therefore, be charged with the maintenance and other expenses of the street mains and with 26½ per cent of the cost of boiler room labor, fuel and water. As the consumers are few as compared with the electric utility it is fair to charge a smaller percentage or 12½ per cent for miscellaneous costs.

An audit of all expense invoices and vouchers shows that the company charged to expenses \$8,000 for depreciation, which the Commission has reduced to \$7,000. There was also a difference of \$122.00 in operating expenses and \$1,143.59 in operating revenues in favor of the company. The latter item represents non-operating revenues which the company should have included in the gross earnings. Therefore,

according to the audit of the Commission the following is the result of operation for the year ended June 30, 1919:

Operating Expenses	\$56,547.21	
Depreciation	7,000.00	
Taxes	1,572.90	\$65,120.11
Operating Revenues	\$60,944.63	
Non-Operating Revenues	1,143.59	\$62,088.22
Operating Deficit		\$3,031.89
Requirements on Investment, 8% on \$125,000.....		10,000.00
Total Deficit		\$13,031.89

The following statement shows the estimated revenues for the next 12 months, based upon the consumption of the electric department for the year ended December 31, 1918, and of the steam heating department for the season of 1918-1919, and the following amended schedules of rates which are considered just and reasonable under present operating conditions:

LIGHTING:	Meter.	Sold.	Rate.	Revenue
First	25 K. W. H.	103,430	@ 18c.....	\$18,617.40
Next	25 "	30,988	@ 17c.....	5,267.96
Next	50 "	27,558	@ 16c.....	4,409.28
Next	100 "	27,275	@ 14c.....	3,818.50
Next	300 "	30,745	@ 12c.....	3,689.40
Next	500 "	22,594	@ 9c.....	2,033.46
Next	1000 "	21,950	@ 7c.....	1,536.50
Additional	"	12,342	@ 5c.....	617.10
				\$39,989.60
Less 5% Discount				1,999.48
				\$37,990.12

MINIMUM CONSUMERS—11,130 K. W. H.

2140 Minimum Charges @ \$1.50..... \$3,210.00

MUNICIPAL LIGHTING:

26 Lamps @ \$4.52x12.....	\$1,410.24
82 Lamps @ 2.00x12.....	1,968.00
3 Lamps @ 7.50x12.....	270.00
	\$3,648.24
	25.00

FLAT RATE CONSUMERS:

Total Lighting Revenues \$44,873.36

POWER RATES:

H.P.	K. W. H.	Rate.	Revenue
1 or less	4,862	.070.....	\$ 340.34
2	3,920	.067.....	262.65
3	4,868	.064.....	311.55
5	9,624	.061.....	507.06
7½	1,107	.058.....	64.20
10	6,272	.055.....	345.23
15	4,324	.052.....	224.85
20		.048.....	
25	8,806	.045.....	396.27
50	44,591	.042.....	1,872.82
75		.039.....	
100	43,867	.037.....	1,628.08
125 or more	193,592	.035.....	6,775.72
			\$12,803.77

Connected H. P. @ \$1.00 per Month, 562½
Times 12 6,750.00

Total Power Revenues \$19,553.77

ELECTRIC HEATING AND COOKING RATES:

31,593 K. W. H. @ 5c per K. W. H.	\$1,579.65
65 Minimum Charges @ \$2.00	130.00

Total Electric Heating and Cooking Revenue..... **\$1,709.65**

STEAM HEATING RATES:

	Lbs. Con- densation	Sold 1918-1919	Per 1000 Lbs.	
First	30,000	4,313,000	\$1.25	\$5,391.25
Next	30,000	2,662,000	1.15	3,061.30
Next	30,000	1,676,000	1.10	1,843.60
Next	50,000	1,982,000	1.05	2,081.10
Additional		2,947,000	.90	2,652.30
40 Minimum Consumers @ \$7.50				300.00

Total Steam Heating Revenue **\$15,329.55**

Total Estimated Revenues (Operating)..... **\$81,466.33**

Total Non-Operating Revenues **1,143.59**

Total Estimated Revenues **\$82,609.92**

The following statement shows the estimated operating expenses based upon the expenses of the year ended June 30, 1919, including the increased cost of operation for the next twelve months:

	Total	To Electric	To Heating
Operating Labor	\$10,177.43	73½%	\$ 7,480.41
Fuel	38,785.59	73½%	28,507.41
Engine Room Labor	4,742.71	100%	4,742.71
Electric Distribution	1,056.16	100%	1,056.16
Heat Distribution	193.44	0%	0%
General	5,307.35	87½%	4,643.93
Undistributed	465.85	87½%	407.62
Taxes	3,059.05	87½%	2,676.67
Insurance and Compensation.....	689.85	87½%	603.62
Depreciation	7,000.00	85%	5,950.00
	\$71,477.43		\$56,068.53
			\$15,408.90

The following statement shows a summary of the estimated revenues and expenses for the next twelve months:

REVENUES:

Lighting	\$44,873.36
Power	19,553.77
Electric Heating and Cooking	1,709.65

Steam Heating	15,329.55
Non-Operating	1,143.59

Total Revenues **\$82,609.92**

EXPENSES:

Electric Department	\$56,068.53
Steam Heating	15,408.90

Gross Income on Valuation \$125,000..... **\$11,132.49**

A review of the testimony submitted in these proceedings and of the facts obtained through personal investigations indicates that the patrons of the company have enjoyed a very low rate for the service rendered during the past two years. The plant has not been a paying investment

since it was taken over by the present company and failed to earn operating expenses during the past year. Therefore, the company was justified in its application for increased rates in order to pay operating expenses and earn a reasonable return upon the investment.

ORDER.

This case being at issue and a full investigation of the matters and things involved being had,

IT IS THEREFORE ORDERED That the application of the Eastern Montana Light and Power Company for an increase in its electric and steam heating rates for service rendered in the city of Glendive, Montana, be and is hereby granted in a modified form.

IT IS FURTHER ORDERED That the Eastern Montana Light and Power Company shall, not later than November 30, 1919, cancel all its schedules now in effect in the city of Glendive, Montana, and in lieu thereof file with the Secretary of the Public Service Commission of Montana amended schedules for electric and steam heating service, conforming to the rates heretofore set forth on Pages 9 and 10 of this Report and Order. Said rates shall be in full force and effect on and after the first day of December, 1919.

IT IS FURTHER ORDERED That the Secretary of the Public Service Commission of Montana shall serve a true and certified copy of this Report and Order upon the parties hereto.

By Order of the

PUBLIC SERVICE COMMISSION OF MONTANA,
Helena, Montana,
November 29, 1919.

W. J. HAYNES,
Secretary.

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PART III
Montana Trade Commission
(Control of Mills)

MONTANA TRADE COMMISSION—CONTROL OF PUBLIC MILLS.

The Sixteenth Legislative Assembly, by the enactment of Chapter 223 of the Session Laws of 1919, made the Board of Railroad Commissioners of the State of Montana ex-officio the Montana Trade Commission. The law provides that it shall be the duty of the Commission to fix reasonable rules, charges, rates, tolls and maximum profits for, and to supervise and regulate the operation of, all public mills engaged in the milling industry in the state. The bill creating the Montana Trade Commission carried an annual appropriation of ten thousand dollars out of which all the expenses incurred in carrying out the provisions of the law were to be defrayed.

The Commission was formally organized in March, 1919, and Mr. B. T. Stanton and Mr. R. F. Bentzin were employed as mill expert and mill examiner, respectively, and while the Commission is authorized to employ an auditor, and any additional employes to administer the provisions of the law, inasmuch as the crop conditions of Montana were below normal, it availed itself of the services of certain members of its staff then in its employ thus saving a substantial sum of the state's funds which would have been expended for salaries of added employes, whom it may be necessary to engage when Montana enjoys a normal crop.

The law provides that all mills coming within the provisions of Chapter 223 shall file with the Commission schedules of all rates, tolls, charges and prices under which each particular mill was operating. The Commission fixed April 19, 1919, as the time within which these schedules should be filed. Upon their receipt it was noted that there was a wide divergence among the rates, tolls and charges made by the various mills, and in an endeavor to promulgate rates and regulations that would be more uniform and in accordance with the provisions of the law, the Commission initiated a hearing to be held at Helena, Montana, April 24, 1919.

A copy of the notice of hearing, together with a copy of Chapter 223, was sent by registered mail to all the public mills and representatives of farm organizations in Montana of which the Commission was able to secure a record. The notice was also given general publicity through the state press. With the notice of hearing was included a list of

questions pertaining to the milling industry, concerning which the Commission desired to be particularly informed. The hearing was attended by representatives of mills of varying capacities and also by representatives of the consumers of flour and other mill products.

Following the hearing a tentative set of rates, rules and regulations was drafted by the Commission, and another notice of hearing was issued for June 10, 1919, at which hearing the Commission's tentative set of rates and rules was carefully and thoroughly considered and discussed by the representatives of the various milling and consuming interests. Pursuant to this hearing the Commission issued its Report and Order No. 267, a copy of which is found on another page of this report.

The mill owners have shown a willing disposition to cooperate with the Commission in carrying out the provisions of the law, and to adopt the rates and regulations promulgated by the Commission. In instances where complaints have reached our office that the provisions of the order would work a hardship on the miller, investigations by our mill inspectors usually disclosed the fact that the complaint was due to a misunderstanding rather than to the stringency of the provision, and in each instance the difficulty was satisfactorily adjusted.

The mill inspectors have been almost continuously engaged in making personal inspections of the various mills operating within the state, and the millers have willingly adopted any practical suggestions for changes and improvements in their methods of operation, accounting, etc., and when it is pointed out that there are seventy-eight flour mills in Montana, fourteen of which are located at inland points from forty to eighty-seven miles from a railroad, you can appreciate the work involved in making a personal inspection and examination of each mill. In addition to the seventy-eight flour mills there are also two cereal mills, one of which is located at Missoula and the other at Bozeman, equipped for the manufacture of a variety of cereal products.

Due to the short crop in Montana this year many of the smaller mills were obliged to close and some of the larger mills curtailed production, but if crop conditions promise normal results for the ensuing season all mills will be able to operate to capacity, and we understand there are several

new milling plants in contemplation of construction. Two of the mills in the state have been destroyed by fire this season—one at Brockway and one at Terry—both of which are to be rebuilt next year.

The object sought to be accomplished by the enactment of Chapter 223 is one of great merit, and the Commission aimed in its order to prescribe regulations whereby the farmer or any other consumer may obtain a just and equitable amount of flour and feed in exchange for his grain, and also to name a fair sum which the miller may exact for a conversion and handling charge.

The Commission has likewise established in its order what is considered a fair manufacturing charge and fair margins of profit that the miller shall be allowed to charge the jobber, retailer and the consumer for flour and its by-products. The scale of prices submitted by the millers at the time of the hearing, covering the cost of manufacture and the service rendered in exchange, provided for a uniform charge for all mills, regardless of their location or milling capacity. Inasmuch as the larger mills and many of the mills located along the railways were securing hydro-electric power at reasonable rates, while the mills outside of the zone covered by the power companies' trunk lines and at interior points were obliged to resort to coal and other fuel to generate power for the operation of their mills, the Commission concluded that it would be unfair to place all the mills upon the same manufacturing basis; hence a graduated scale of charges was adopted according to the location and the capacity of the mills, which apparently is giving general satisfaction to all. And it is our opinion, based upon information that has come to our knowledge, that the purpose which prompted the creation of the Montana Trade Commission as a preventive agency for profiteering in one of the most essential products of human consumption has been fully accomplished.

In compliance with the Commission's rules and regulations it is incumbent upon each mill operator to submit to the Commission a monthly statement on blanks furnished by the Commission showing in detail the mill's operations for the preceding month. Such information makes it possible for the Commission to keep informed regarding operating conditions in the different localities, and our mill inspectors'

reports on the financial and physical condition of the mills indicate that the milling industry of Montana is ably managed and that the mills in the state are in the main equipped with modern machinery and are manufacturing such grades of flour as are comparable with the products of the best mills in the northwest.

Report and Order No. 267, heretofore referred to, is as follows:

BEFORE THE MONTANA TRADE COMMISSION.

IN THE MATTER Of the Adoption of a Temporary Set of Standard Rates, Rules and Regulations Governing the Operation of All Public Mills, as Defined by Section 4 of the Montana Trade Commission Law, Operating in the State of Montana.

DOCKET NO. 709.

HEARING APRIL 24, 1919.

HEARING CONTINUED JUNE 10, 1919.

DECIDED JUNE 14, 1919.

REPORT AND ORDER

Number 267.

A hearing was regularly held at Helena, Montana, April 24 and 25, 1919, in the above proceeding, and the following representatives appeared on behalf of the various interests affected by the adoption of a standard set of rates, rules and regulations governing the operation of public mills in Montana:

R. J. Anderson, (Lewistown),
For the Montana Flour Mills Co.
D. R. Fisher, (Ford Bldg., Great Falls),
and
W. E. Parkins, (Belgrade),
For the Gallatin Valley Milling Co.
August Schwachheim, (Cascade),
For the Cascade Milling & Elev. Co.
N. J. Cline, (Polson),
For the Polson Flour Mills.
F. L. Sherman, (Glasgow),
For the Glasgow Flour Mill Co.
H. O. Hart, (Helena),
For the Northwestern Milling Co.
J. W. Sherwood, (Great Falls),
For the Royal Milling Co.
Charles Vandenhook, (Bozeman), and
C. W. Sweet, (Bozeman),
For the Bozeman Milling Co.
L. F. Miller, (Billings),
For the Russell-Miller Milling Co.
George Thorson, (Townsend),
For the Inter-Mountain Milling Co.
S. E. Dodge, (Livingston),
For the Park Milling Co.
G. C. Gregory, (Plains),
For the Plains Milling Co.
T. J. Edwards, (Missoula),
For the Ravalli Cereal & Flour Mill Co.

S. B. Fairbank, (Hobson),
 For the Judith Milling Co.
 J. H. Sparks, (Roundup),
 For the Roundup Milling Co.
 C. E. Biggs, (Chester),
 For the Pioneer Flour Mill Co.
 A. B. Andrews, (Choteau),
 For the Reliant Milling Co.
 T. M. Andrews, (Fort Benton),
 For the Benton Milling & Elev. Co.
 E. J. Bjorneby, (Kalispell),
 For the Bjorneby Bros. Milling Co.
 J. T. Carroll, (Helena),
 E. K. Bowman, (Helena), and
 W. J. Merritt, (Townsend),
 For various farmer organizations.

COMMISSIONERS:

Boyle,
 McCormick,
 Dennis.

On the termination of the discussion of certain proposed rates, rules and regulations, April 25, 1919, the hearing was adjourned sine die and was later reconvened and continued June 10, 1919, at Helena, Montana, and the following interests were represented at this hearing:

D. R. Fisher and
 W. E. Parkins,
 For the Gallatin Valley Milling Co.
 August Schwachheim,
 For the Cascade Milling & Elev. Co.
 N. J. Cline,
 For the Polson Flour Mills.
 J. W. Sherwood,
 For the Royal Milling Co.
 C. W. Sweet,
 For the Bozeman Milling Co.
 George Thorson,
 For the Inter-Mountain Milling Co.
 G. C. Gregory,
 For the Plains Milling Co.
 T. J. Edwards,
 For the Ravalli Cereal & Flour Mill Co.
 E. M. Wright, (Manhattan),
 For the State Milling Co.
 A. J. Foss, (Dillon),
 For the Beaverhead Milling & Elev. Co.
 J. T. Carroll,
 For various farmer organizations.

COMMISSIONERS:

Boyle,
 Dennis.

Chapter 223 of the Session Laws of 1919 provides that the Board of Railroad Commissioners of the State of Montana shall be ex-officio the Montana Trade Commission, and that it shall be the duty of the Commission to fix reasonable rules, charges, rates, tolls, maximum profits for, and to supervise and regulate the operation of, all public mills engaged in the milling industry in the State of Montana. The act was approved by the Governor March 18, 1919, and authorizes the Commission to employ an expert miller and various other employees necessary to carry out the provisions of the law.

Section 18 of the law provides that all mills coming within the provisions of the act shall file with the Commission schedules of all rates, tolls, charges and prices under which each particular mill is operating. The Commission fixed April 19, 1919, as the time within which these schedules should be filed. Upon receipt of these schedules it was noted that there was a wide divergence among the rates, tolls and charges made by the various mills located in the different sections of the state, and in an endeavor to promulgate rates and regulations that would be more uniform and would be in accordance with the provisions of the law, the Commission initiated a hearing to be held at Helena, Montana, April 24, 1919.

A copy of the notice of this hearing, together with a copy of the Montana Trade Commission law, was sent by registered mail to all the public mills in Montana of whose existence the Commission had a record. In connection with the notice of hearing the Commission propounded certain interrogatories affecting the milling industry to be discussed at the hearing. The meeting was attended by representatives of mills of varying capacities and also by representatives of the consumers of flour and other mill products.

At the conclusion of the discussions on the date of the hearing the Commission adjourned sine die, and upon the information gained at the hearing and also upon the information obtained from independent investigations the Commission drafted a tentative set of rates, rules and regulations, and again issued a notice of hearing to the various milling industries and to the representatives of various consuming interests in the state. This hearing was held at Helena, Montana, June 10, 1919, and each rule of the Commission's tentative set was carefully and thoroughly considered and discussed by the representatives of the various milling and consuming interests.

At the hearing held April 24 and 25, there was considerable discussion as to the best method of classifying the mills. From the discussion the Commission came to the conclusion that the small mills should receive a higher manufacturing and toll allowance than the larger mills. At the request of the Commission the mill representatives submitted a tentative schedule of rates which provided for a manufacturing and toll charge of 35 cents for each bushel of wheat

used in the manufacture of flour and its by-products. The representatives of the smaller mills protested against a uniform toll, on the ground that the operating cost of a small mill is greater than that of a large mill. As a rule the larger mills secure a very low rate on hydro-electric power, while many of the small mills are obliged to generate their own power or purchase it from a small electric utility that uses coal or oil for fuel, which makes the charge per kilowatt hour extremely high. For the present the Commission will classify the mills upon the rated daily capacity in barrels for a twenty-four hour run.

It was also shown that there are 13 or 14 mills established at interior points, ranging from 10 to 70 miles from a railroad. Their operating costs are comparatively high, as fuel has to be hauled either by wagon or motor truck. Such mills receive the wheat from the farmer, give in exchange flour and mill feed, and retain a certain percentage of the product as compensation for services rendered; or in exchange for the wheat they give the farmer its equivalent in flour and mill feed and charge a toll to cover the manufacturing costs and a reasonable profit. They also purchase small quantities of wheat and manufacture it into flour and its by-products and sell them to the retailer in their immediate vicinity.

With a view of securing information as to the best method of regulation, the Commission made a canvass of the different states to ascertain if any of them had enacted laws governing the regulation of the milling industry. The result of the investigation disclosed the fact that control of this industry by a state agency had not heretofore been attempted. It is, therefore, apparent that Montana is the first state to take up this line of work. Under the circumstances some delay was experienced in assembling data to determine the most equitable method of regulation. The Commission did, however, secure some valuable information on this subject from the federal government which regulated the flour mill industry during the period of the war.

Giving consideration to the fact that regulation of the flour mills is a new venture, and that the Commission has had but a few months to study the question, the rules and regulations promulgated and set forth in this Report and Order

should be considered in the light of a temporary measure, subject to modification, if upon further investigation and presentation of facts the rules and regulations are found to be unreasonable or inequitable to either the mill owner or the consumer.

ORDER.

The Commission, having carefully considered the various interests of the consuming public and also the various interests of the milling industry of the state of Montana, and having made a thorough and conscientious investigation of the matters and the things involved in this proceeding, is of the opinion that the rates, rules and regulations hereinafter set forth are fair and reasonable, and

IT IS THEREFORE ORDERED That the following standard rates, rules and regulations governing the operation of all public mills operating within the state of Montana shall be in full force and effect on and after July first, 1919, and that the same shall remain in full force and effect until the further order or approval of the Montana Trade Commission:

RULE 1. Wheat must be graded in compliance with the federal grade standard.

RULE 2. Dockage must be determined by testing an accurately weighed sample of wheat with testing sieves of approved federal standard.

RULE 3. Custom Grinding, Exchange or Toll Basis

- a. Any owner of wheat shall have the right to deliver hard spring wheat or hard winter wheat of milling quality to the milling plant for the purpose of having it ground into or exchanged for flour and mill feed, and the miller must accept same for that purpose and shall, if operating, forthwith deliver to the owner flour and mill feed in exchange therefor.
- b. In exchange for each bushel of sixty pounds of clean wheat, flour and mill feed must be delivered in the following quantities:

Test Weight of Wheat per Bushel	No. of Pounds Flour Returnable	No. Pounds Mill Feed Returnable
58 lbs. or more	42	17
57 "	41½	17½
56 "	40½	18½
55 "	40	19
54 "	39½	19½
53 "	38½	20½
52 "	37½	21½
51 "	37	22

- c. The owner shall have the privilege of designating the apportionment of the flour and mill feed to which he is entitled, as follows:

1. 100% Straight Patent.
2. 95% Straight Patent, and 5% Second Clear.
3. 75% First or Fancy Patent, 20% First Clear, and 5% Second Clear.
1. 100% Mixed Mill Feed (bran and shorts.)
2. 65% Bran, and 35% Shorts or Standard Middlings.

- d. If any miller, owing to the equipment of his plant, is unable to make the above apportionment, Straight Patent Flour and Mixed Mill Feed (bran and shorts) shall be delivered instead.
- e. Sacks of standard commercial sizes for flour and mill feed shall be provided by the miller at the expense of the owner, at the current market value of same per thousand.
- f. Flour of all grades must be packed in new cotton sacks of 98 pounds' capacity, and mill feed in new burlap sacks of 100 pounds' capacity.
- g. The owner, however, will be privileged to have flour packed in other standard sizes, provided he pays the miller the regularly established differentials between the 98's and the smaller sizes.
- h. The miller may collect from the owner the following tolls based on the rated daily capacity (in barrels) of the mill, for a twenty-four hour run:

25 bbls. capacity and under.....	35c per Bu.
Over 25 bbls. capacity and under 100 bbls.	30c per Bu.
100 bbls. capacity and over.....	25c per Bu.
Interior mills located 20 miles or more from a railroad	40c per Bu.

The above tolls are chargeable on a bushel of sixty pounds of clean wheat, at the time of the delivery of the products, as herein provided, said delivery to be made at the milling plant to the owner or his agent.

- i. The term "owner" as herein used means any individual, firm or corporation owning wheat of milling quality and tendering it to and at the milling plant of any public mill.
- j. The term "miller" as herein used means any individual, firm or corporation operating a public mill.

- k. The term "clean" as herein used, referring to wheat, means that wheat shall be free from dockage as determined by federal standard.

RULE 4. Merchant Milling or Commercial Marketing

- a. In calculating the cost of wheat used in manufacturing flour and by-products, the miller shall compute the value of wheat at its carload value f. o. b. loading point, plus the average freight rate in carloads from loading points to milling point, said average freight rate to be based on actual receipts.
- b. The value of wheat at the loading point shall be determined by the average daily price of the same grade at primary terminals, less the freight from loading point to the said terminals.
- c. The toll or maximum conversion charge on the manufactured product from each bushel of wheat (flour and mill feed) shall not exceed the following charges based on the rated daily capacity (in barrels) of the mill, for a twenty-four hour run:

25 bbls. capacity and under.....	35c per Bu.
Over 25 bbls. capacity and under 100 bbls.	30c per Bu.
100 bbls. capacity and over.....	25c per Bu.
Interior mills located 20 miles or more from a railroad	40c per Bu.

RULE 5. Maximum Permissible Differentials Allowed Over and Above the Authorized Toll or Conversion Charge

- a. When flour or mill feed is sold in straight carload lots, a marketing charge of fifteen cents (15c) per barrel on flour, and fifty cents (50c) per ton on mill feed, may be added by the miller.
- b. When selling flour in mixed or pool carload lots, the miller shall be privileged to add a marketing charge of twenty-five cents (25c) per barrel on flour, and one dollar (\$1.00) per ton on mill feed.
- c. When selling in less than carload lots to dealers in flour and feed, the miller is privileged to add a marketing charge of fifty cents (50c) per barrel on flour, and two dollars (\$2.00) per ton on mill feed, both products f. o. b. the mill.
- d. When selling in less than carload lots to individuals, firms, corporations, copartner-

**Mill Sale to
any one**

any one

**Retail
Dealer**

Consumer

ships or associations, other than owners of wheat or dealers in flour and feed, the miller is privileged to add a marketing charge of one dollar (\$1.00) per barrel on flour, and four dollars (\$4.00) per ton on mill feed, both products f. o. b. the mill.

NOTE: The maximum cash basis chargeable to any Montana dealer or consumer for mill feed (bran, bran and shorts or middlings) shall not exceed the straight carload bulk price obtainable for said mill feed in interstate business on day of sale, plus the differentials authorized in Rule 5 and defined under Sections a, b, c or d of said rule, less freight on said feed from point of manufacture to the said interstate market.

Not more than one of the margins over and above the apportionment of the toll or conversion charge, as indicated above, shall be added by the miller on the sale of any lot of flour or mill feed.

- e. **Package Charge.** In arriving at the per barrel package cost, the miller shall use the current cost of two 98-lb. cotton sacks of standard size and grade as quoted for lots of 1,000 bags, plus any freight or transportation charges. The charge for any other size or style of packages as furnished by mill or buyer shall be calculated on the basis of such 98-lb. cotton sacks, plus or minus the differential which will be indicated by prevailing market conditions.

RULE 6. Feed Grinding

Public mills equipped to grind, chop or roll grain for feed, shall render this service at the maximum rate of ten cents (10c) per one hundred pounds, when the quantity of grain tendered is two thousand pounds or more; if the amount of grain tendered is less than two thousand pounds, an additional charge of two and one-half cents (2½c) per one hundred pounds may be collected.

The foregoing price for grinding contemplates delivery of the feed to the owner in bulk. If feed is sacked, the owner shall pay the actual cost of sacking.

- RULE 7.** Every mill coming within the provisions of the Montana Trade Commission law, engaged in selling or disposing of any of its flour, feed, or other mill stuff, or any grain products, shall be permitted to make a reasonable profit for the manufacturing of flour or its by-products, or other grain products of every kind and nature, but all unjust and unreasonable profits are prohibited and declared unlawful.

RULE 8. In the event that any of the prices, rules or regulations set forth in this order, is claimed to be unjust, unreasonable or insufficient by any person, firm, corporation or copartnership, upon complaint filed with the Commission, a full and careful investigation will be made and such relief will be afforded as the conditions may warrant.

RULE 9. Every miller shall, at the close of each calendar month, render to the Montana Trade Commission a true monthly, certified statement, setting forth such facts as are required by the Commission and as are requested on blank forms which will be furnished the miller. Said statements shall be forwarded to the Commission not later than the fifth day of each month, commencing with the fifth day of August, 1919.

IT IS FURTHER ORDERED That the Secretary of the Montana Trade Commission shall serve a full, true and certified copy of this Report and Order upon the owners (or their representatives) of all public mills coming within the provisions of the Montana Trade Commission law.

By order of the

MONTANA TRADE COMMISSION,	
Helena, Montana,	W. J. HAYNES,
June 16, 1919.	Secretary.

PART IV
Montana Irrigation Commission

MONTANA IRRIGATION COMMISSION

The Montana Railroad Commission was, by an act passed by the legislature assembled in extraordinary session in August, 1919, designated ex-officio the Montana Irrigation Commission. The law provides that the Commission shall have general supervisory control over the organization of irrigation districts in the state of Montana and "do all things necessary for the full development of the irrigable lands."

Organization

Following the passage and approval of the act creating the Irrigation Commission the Board proceeded with its organization. It was discovered that through a clerical error the \$10,000 appropriation carried in the bill was reduced to \$2,500. This mistake has already proved a serious handicap and will prevent the Commission from fully carrying out the provision relating to the employment of the necessary engineers to make surveys and examinations of water supplies and feasible area that might be benefited by irrigation.

The Commission caused to be printed several thousand copies of the Irrigation District law, which were distributed to all sections of the state. This pamphlet was followed by a booklet entitled "Water Makes Wealth in Montana", containing statistics regarding irrigation in the state, extracts from the water right laws and complete instructions and explanations as to the steps to be taken to create an irrigation district.

The general response proved so great that an irrigation engineer was engaged to act as advisor to the Commission and to render advice and assistance in the case of large numbers of applications received. To date there is more acreage included in proposed development under the new law than the total irrigated land in the state heretofore.

The original irrigation district law was passed by the legislature in 1907 and was similar in nature to the law relating to municipal improvement districts. The supervision and control over the issuing of bonds by the districts were placed with the boards of county commissioners. As this feature proved to be unsatisfactory, particularly in the marketing of the bonds, the law was amended in 1909, so as to place the control of bond issues with the district courts. Under this law several districts have been organized, but it

is estimated that with the advantage of a single regulating board, working with the advice and assistance of the state engineer, as provided by the law, opportunities for development under the irrigation district plan will be greatly extended. The experience of three dry seasons in succession has demonstrated the value of irrigation and storage. Irrigation is the best crop insurance and has been found to pay, even though it is not necessary to use the water once in five years.

The new law enables the owners of land under an irrigation system owned by other parties to purchase the property, using the district bonds for payment, and thus secure direct and cooperative control at once. By the use of the serially maturing bonds the expense of the purchase or the new construction can be distributed over the years when the benefits are being derived, the expense for both the interest and principal for taking up the bonds at maturity being levied in the form of a tax against the land and paid in annual installments. This method also enables the owners of land with direct-flow rights which are not sufficient in all seasons, to form their lands into a district for the purpose of constructing storage works to provide a supplemental water supply. In these cases the expense per acre is usually small, and as the security is in the lands already improved the bonds may become a first lien on property several times its value.

It is in these two ways that the law has been applied in the past. Under the Irrigation Commission it is expected that in the future it may be used for the development of water supplies for sections that have heretofore been cultivated under the dry farming system where the need for supplemental irrigation systems has been particularly felt during the past three years. A higher duty than is used at present is probable and such lands will have their improved dry-farming values as security for the bonds. The unusual number of homestead entries in Montana has been breaking up the areas which might ultimately be developed under the Carey Act and it is expected that to a certain extent the district method may take the place of the Carey Act system.

Irrigation Statistics

Montana contains 93,000,000 acres of land of which two-thirds are classified as forest and grazing and the other third, an area as large as the states of Wisconsin, Illinois and Iowa,

is farm land. Agriculture had its beginning in the state in 1841 when Father DeSmet planted a small tract in the Bitter Root valley after having made a 300 mile overland trip to Colville, Washington, for the seed. It is interesting to note that in the year 1900, after 50 years of development under favorable conditions in the live stock and mining industries, the population of the state was but 250,000. During the next ten years, under real agricultural development, the population increased 125,000.

Montana is most favored by nature in water resources. It contains the headwaters of two of the great rivers of the continent,—Clark's Fork of the Columbia and the Missouri. These waters rise at elevations of 5,000 to 7,000 feet and leave the state at 2,000 feet, which serves to indicate in a rough way the possibilities.

The data gathered during the census of 1909 showed that of the 13,738,485 acres irrigated in the arid states, 1,678,084 were in Montana. In the total area irrigated Montana ranked third, being exceeded only by Colorado and California. Between 1898 and 1909 the acreage irrigated in Montana increased 76.5 per cent. The average irrigated acreage per farm increased from 118 in 1899 to 187 in 1909.

The following table shows, in acres, the various irrigation enterprises in Montana up to and including the year 1919:

Individual and Partnership Enterprises.....	1,495,513
Co-Operative Enterprises	500,000
United States Reclamation	150,934
United States Indian Service	149,160
Carey Act Enterprises	172,486
Commercial Enterprises	80,895
Irrigation Districts	11,140
Total Acreage	2,560,128

Of the above number of acres it is estimated that 950,000 were actually irrigated during the 1919 season. Various estimates place the total acreage susceptible of irrigation at from four to seven million acres, which in itself is a domain larger than some of our states.

The 1909 census showed that Montana, like other states, had large areas for which water was ready but which were not irrigated, a total of 526,000 acres of such land being reported. This is nearly as much of an increase in the irrigated area as during the preceding ten years. There were also 1,310,000 acres more which were included in projects under way. These figures show that there are many oppor-

tunities for the development of projects under the irrigation district and other cooperative plans.

A noticeable feature of the irrigation development in Montana is the large proportion of the land which is supplied by either individual, partnership, or cooperative enterprises, 91 per cent of the total irrigated area being supplied by such organizations. This figure serves to illustrate the progress that can be made by the encouragement of projects and aid under the long term payment plan as provided in the bill recently passed by the legislature. It must be recognized that the opportunities for the individual and smaller partnership systems have been fully utilized and that future development will tend to be in larger units.

The following table shows the total net investment by the United States Reclamation Service in Montana up to June 30, 1918 :

Huntley	\$ 1,499,996.68
Milk River	3,163,419.39
Milk River, St. Mary Storage.....	2,459,857.52
Sun River	3,345,723.68
Lower Yellowstone	2,271,396.30
Clark Fork	5,581.23
Crow Reservation	18,911.96
Lake Basin	7,103.26
Madison River	10,729.09
Marias	9,960.36
Total	\$12,792,679.47

Gravity or Pumping System

Experience has shown that the operating expense in irrigation, where the water is procured through pumping service, is high and is a constant expense that is incurred each year. Before deciding upon a pumping project it should be the aim of all promoters of irrigation schemes to investigate the feasibility of building storage reservoirs wherever it is possible to do so and to divert the water by a gravity system. By thus conserving the run-off water in the early spring months and the heavy rains which occur in the summer months, a double purpose is served. It assures an adequate water supply for the irrigating season and at the same time prevents damage and destruction of property during the flood season. Such a policy might be more expensive in first cost but it would do away with the perpetual annual expense of maintaining pumps and in the long run would be far cheaper.

The value of conserving water was clearly demonstrated during the past summer months. Owing to the drouth many

small streams were dry and the natural flow of the larger rivers was greatly diminished. Had it not been for the Hebgen reservoir in Madison county, which has a storage capacity of 325,000 acre feet, irrigation along the Missouri River would have suffered, as the headgates of the Missouri River projects would have been far above the water level. The water in storage in Hebgen lake was utilized during the dry period and furnished the only means of irrigating along the Missouri River bottoms. It also made it possible for the Montana Power Company to generate sufficient current to maintain the service furnished numerous industries and cities and irrigation pumping plants throughout the state.

It is, therefore, essential that the question of storing water and using the gravity system should be given careful consideration by the people who are planning irrigation projects. Otherwise the demand upon the natural waterways within the state will be so great that the normal supply of water without storage reservoirs will not be enough to meet the absolute requirements.

The system to be employed in any irrigation project, whether pumping or gravity, is usually determined by the total yearly cost. The cost of a gravity system is so dependent upon local conditions, and consequently varies so widely, that no general figures can be given. Each case must be worked out independently.

The cost of irrigation by pumping depends to some extent upon the size of the project and hence the amount of water to be pumped, but chiefly it depends upon the elevation to which the water must be raised. As an example to show how the cost of irrigation is affected by the head to be pumped against, the following figures are given:

	25 ft.	50 ft.	75 ft.	100 ft.
Total head pumped against.....	25 ft.	50 ft.	75 ft.	100 ft.
Acres of land covered.....	640	640	640	640
Acre feet of water per acre.....	2	2	2	2
Total acre feet.....	1,280	1,280	1,280	1,280
Cubic feet per second.....	10	10	10	10
Motor horse-power required.....	40	80	120	160
Kilowatt hours per year.....	58,000	112,000	165,000	212,000
Estimated cost of pumping plant.....	\$4,500	\$4,900	\$5,300	\$5,700
Yearly fixed charge ann'l oper'n 18%.....	810	881	953	1,027
Cost of power*.....	1,172	1,818	2,517	3,009
Total yearly cost.....	\$1,982	\$2,699	\$3,476	\$4,036
Yearly cost per acre.....	3.10	4.21	5.42	6.30
Yearly cost capitalized at 12%.....	16,500	21,650	28,900	33,700

*Hydro-electric service. The cost of power generated from coal or oil would be much higher and in many instances it would be prohibitive.

The last item given above represents the amount that could be paid for a gravity system without making the total

yearly cost exceed that for the pumping system. If in any case a gravity system can be built for less than the above figures it would be by all means advisable to build such a system rather than to put in a pumping plant.

The figures on the cost of the pumping plant are based on the assumption that electric power would be conveniently available for the operation of such a plant. In cases where the plant would be remote from a suitable source of power, an additional expenditure would be required for a transmission line and transforming equipment which in many cases would be prohibitive.

Water for irrigation should, if possible, be obtained by gravity, for in cases where it must be pumped there is a very material economic loss accounted for by the necessary power losses occurring in the generation, transmission and reconversion of the required power. As a concrete example the following figures are typical and show the amount of head which must be developed and utilized in connection with the use of 100 inches of water for power purposes in order to pump the same 100 inches of water to the elevation given:

Pumping Plant Head—ft.	Power Plant Head
25	71
50	140
75	208
100	270

Irrigation development in this state, with a few notable exceptions, has been based on a dependence on the natural stream flow without storage. As land becomes more valuable, more extensive irrigation schemes have been developed, until we now find ourselves in the position of having utilized all the available natural supply during low water years, and having only sufficient water supply for 25 per cent of our irrigable domain, and in a majority of cases not even an adequate amount of water to get the best results from the land actually farmed.

With land values rising and the immense crop return possibilities of irrigated ground being demonstrated by the farmers who have turned from the old haphazard method of handling large tracts and are using their efforts on better cultivation of smaller areas, there has gradually developed a demand for this class of property which has heretofore been lacking. This can only be supplied by providing adequate storage reservoirs, as shown by the experience of the irrigation farmer during the season just passed.

That the development of storage for the irrigation of the balance of the irrigable land of the state is economically sound, no one who is familiar with the conditions will deny. There are now constructed in this state large reservoirs which did not cost over \$4.00 per acre foot. This means a capital charge against the irrigated farm of about \$10.00 per acre for stored water, which is insurance against crop loss.

A general summary of the projects before the Commission and of the work accomplished to date follows:

Irrigation Project No. 1

Cooper Lake Project—Powell County

This district proposes irrigating all the land between the main Blackfoot River and the North Fork of the Blackfoot River, the same being locally known as Kleinschmidt Flat, and comprising approximately 20,000 acres. It is proposed to reservoir Coopers Lake and irrigate the land by a gravity system. Formal application for the creation of the district was filed in the district court of Powell County. The Commission's engineer made a preliminary examination of the lands and the reservoir site late in the fall, but the deep snow prevented any detailed investigation.

Irrigation Project No. 2

Nine Mile Prairie—Missoula County

This district proposes irrigating all the lands on what is locally known as Nine Mile Prairie lying on the north bank of the Big Blackfoot river, just below the mouth of Clearwater river. Approximately 9,000 acres are in the district. It is proposed to divert water by a gravity system from either the Clearwater or the Big Blackfoot rivers. An informal application was filed direct with the Commission. The necessary deposit for covering the expense of preliminary investigation has not been made, and no field work has been done on this project.

Irrigation Project No. 3

Frenchtown Valley—Missoula County

This district proposes irrigating a strip of bench land in the Frenchtown Valley, west of Missoula. It is proposed to divert water from the Clark's Fork river by gravity system. An informal petition was filed with the Commission, but not

with the district court. No records are at hand of the acreage. The petitioners having failed to make the required deposit, no field work has been done on this project.

Irrigation Project No. 4

DeSmet—Missoula County

This district proposes irrigating the bench lands around the station of DeSmet, west of Missoula. Water will be pumped from Clark's Fork river, and about 5,000 acres will be irrigated. Formal petition was filed with the clerk of the district court. The state engineer and the Commission have completed and filed with the clerk of the district court of Missoula county, their report on the advisability and feasibility of the project. An investigation was made of three possible sources of water supply—two by gravity (one from Rattlesnake creek and another from the Big Blackfoot river) and the other, a pumping proposition, from the Clark's Fork river. The latter source was found to be the most feasible, so three separate pumping propositions were investigated. The system decided upon to be the most feasible is to enlarge and extend the Flynn-Lowney ditch to the Hollenbeck brick yard where the pumping plant will be constructed and water delivered to a high line and a low line canal.

Irrigation Project No. 5

Glendive-Fallon—Dawson County

This district proposes irrigating a strip of land along the north bank of the Yellowstone river, extending from Fallon to Glendive. It is proposed to pump water from the Yellowstone river by steam to three elevations—40 feet, 75 feet and 100 feet. Local lignite coal will be used for fuel. A formal petition has been filed with the clerk of the court and a deposit made with the secretary of the Commission to carry on the preliminary investigation. The engineer for the Commission made one trip late in the fall of 1919 over the project and gathered some preliminary data to be used later on. The details of investigating this project have already been started. It is roughly estimated this project will comprise about 40,000 acres.

**Irrigation Project No. 6
Brockway—McCone County**

This district proposes irrigating about 3,000 acres along both sides of Redwater creek on either side of the town of Brockway. Flood waters will be diverted from Redwater, Duck and Ash creeks, and stored in three separate reservoirs. The irrigation system will be by gravity. The petitioners have filed a formal petition with the clerk of the court of McCone county. So far no deposit has been made with the secretary of the Irrigation Commission and no preliminary work has been done on this project.

Many inquiries have been received by the Commission, relative to forming irrigation districts all over the state, and it is expected by spring many more petitions will be formally filed. Among these is a district near Columbus, where the engineer for the Commission met with a committee of the farmers to talk with them regarding the merits of their projects.

A revised edition of the booklet "Water Makes Wealth in Montana" will be furnished upon request. It contains much valuable information which will be useful to organizers of irrigation districts.

PART V
Montana Trade Commission

STATEMENT BY THE MONTANA TRADE COMMISSION

Reports of Legislative Investigations and the State Efficiency Commission on the High Cost of Living.

Legislation Authorizing the Montana Trade Commission to Regulate Prices and Margins of Profit.

Facts Upon Which the Commission Based Its Order Requir- ing the Cost and Selling Price to Be Shown on Each Article Offered for Sale.

During the sixteenth session of the legislature in 1919 there was a universal protest throughout the state against the high cost of living. The members of the legislature felt that something should be done to afford some relief from the high prices demanded by those in control of the necessities of life, and with that end in view a joint committee was appointed composed of members of the Senate and House to hold hearings and make investigations at various points throughout the state, to determine the margin of profits demanded by the wholesale houses, jobbers and retail merchants. This committee held various hearings in different cities, and in its supplemental report to the legislature it stated in part as follows:

Legislative Committee Report

Your committee find from the testimony that the average gross profit varies at different places of business and on various articles, approximately as follows: on shoes, 80 to 100 per cent; men's hats, 50 to 75 per cent; men's overcoats, 50 to 80 per cent; pants, 50 to 75 per cent; men's underwear, 50 to 100 per cent; men's shirts, 50 to 100 per cent; children's clothing, 50 to 75 per cent; ladies' suits, 50 to 125 per cent; ladies' shoes, 50 to 100 per cent; staples in dry goods, 25 to 50 per cent.

The per cent of profit on fresh meats are an average of 60 per cent gross profit, and 25 to 40 per cent gross profit for cured meats. The difference between the price paid the producer for cattle

on foot and the amount realized by the retailer is best portrayed by the following illustration: The price paid for a cow, one thousand pounds live weight, at top price is \$90.00, and the amount realized after the animal has been butchered and sold at retail is approximately \$153.00. These figures do not take into consideration the value of the offal used in producing fertilizer and other by-products. This is a gross profit of \$63 for each thousand pounds of cow beef, live weight, and when it is considered that this amount of money can be turned at least once a month, the profit becomes an amount equaling that which may be properly termed extortionate.

In the matter of items charged to expense as the cost of doing business, your Committee, while not attempting to analyze in detail the financial statements of those engaged in the mercantile business, we were able to conclude as to some items which seemed unfair to the Committee. As worthy of mention, items charged to expense, as "non-operating expenses" explained as "anticipated losses", "farm losses", "mining stock ventures", "excessive salaries", and "exorbitant rents" should not be allowed and if permitted only result in the increased cost to the consumer.

Your Committee is of the opinion that those who reaped the reward of unexpected profits, should now give to the general public the benefit of a slowly declining market.

Your Committee has been forced to arrive at the following general conclusions, to-wit:

That the wholesale and retail grocers have their associations to protect their respective enterprises; and

That none of the above mentioned-associations are formed for the purpose, or show any desire, to protect the ultimate consumer; and

That farm machinery and the repair parts needed to keep such machinery in workable order is under the control of a most arbitrary trust, who is profiteering at the expense of the farmer to an unconscionable extent.

Your Committee is of the opinion that a law should be passed by which those who feel that they have just cause to complain relative to high prices, might be afforded to have their complaint heard, and that in so doing none would be injured and particularly would be capable, efficient, and conscientious business man be benefited, and the consumer satisfied.

Undoubtedly extortionate practices of monopolies can be prevented by adequate laws and rigid law enforcement, which would result in keeping prices at a level to which they belong; and, that the present system of doing business stands in grievous need of considerable modifications for the purpose of checking the enormous inefficiency and waste in production and distribution cannot be doubted.

State Efficiency Board Investigations

After an analysis of the report of the special committee the legislators felt that as the session was drawing to a close the time was altogether too short for them to enact legislation regarding the high cost of living that would be just and reasonable to all concerned. It was deemed advisable to make further investigations, and with that end in view they empowered the state efficiency board, which was composed of two prominent merchants and one banker of the state, to continue the investigations during the spring and summer of 1919. The efficiency board immediately started investigations, and hearings were held in various cities, and July 31, 1919, the board submitted a report of the result of such investigations to you, in which report they stated, with reference to that part of their work pertaining to the high cost of living, as follows:

The members of the Commission were soon impressed, not only with the magnitude but also with the complexity of the questions regarding which information was required. The very limited time which the Commission has been able to devote to this subject has been entirely insufficient to make a thorough study of the problems presented, or to reach definite conclusions.

While we have no specific recommendations to make at this time, we yet feel that we may very appropriately direct attention to some of the underlying causes operating to produce the high cost of manufactured commodities. The rapid advance in the cost of raw materials is well understood. We are familiar with the prices which are quoted and paid to the producer of wool, wheat, corn, cotton and hogs. We know that labor is receiving well-deserved and honestly-earned increase in wages. Advance in the production cost of manufactured commodities is inevitable owing to the operation of these causes.

What fairness compels us to say, every thoughtful observer will agree to, namely. That advancing cost to consumer is not altogether due to greater profits exacted by distributors and retailers. It may be true that some unscrupulous dealers have taken advantage of the situation. **How widespread this evil is, assuming that it exists, we are at this time unable to say, but we do feel that it exists.** We cannot ascribe to this cause a predominate place in determining high prices. It may be an important factor in some localities and wherever and whenever it can be shown to exist, it should be checked and punished.

Our limited investigation along this line disclosed a condition with which the consuming public is not familiar. It was discovered that the producers of fruit and green vegetables are thoroughly organized, the organizations being well known, like the California Fruit Growers Association which handles a large part of the citrus fruits produced in California, the owners of the orange groves being members of the association. Then we find a similar association of walnut growers. The importation of bananas is a monopoly of the United Fruit Company, which operates the lines of steamers in which they are transported. Everywhere in California, Oregon, Washington and in this state the actual growers of fruit and vegetables are organized into associations and exchanges for the purpose of marketing their crops economically and profitably. The associations are the first link in the chain that extends from the farm or orchard to the consumer's table. The succeeding links being a powerful and well-organized distributing company, a broker, a commission house, and finally the retailer.

Through the chain of intermediaries the product finally reaches the retailer and every step in the distribution adds to the cost. If these added costs were always a legitimate charge for service performed, nobody could justly complain; but, we find that the several companies taking part in this distribution are often the same people or concern operating or masquerading under different names, controlling distribution through a system of interlocking ownership of the several corporations involved in the process. They are thus in a position to control both supply and price. The business thus carried on is interstate business and can be controlled

only by the United States Government. Action by the Federal Government to regulate this traffic should be strongly recommended.

While we have no direct evidence upon the subject of combinations of commission men and wholesalers operating within the state, it has been said that such combinations exist. If our statutes do not permit the punishment of the members of such combinations organized for the purpose of controlling supply and crushing out competition, a law should be enacted whereby those entering into such an agreement, either tacit or explicit, could be punished and free competition established. Our investigation along this line has not gone sufficiently far to justify us in making a recommendation based upon our own conclusions.

Legislation at Special Session.

In the meantime, on July 29, 1919, a special session of the legislature was called for the purpose of devising ways and means to afford some relief to the farmers in the drouth stricken districts of the state. As there still was a persistent demand for the regulation of the high cost of living the legislators created the Montana Trade Commission by enacting Chapter 21, Session Laws of the 16th Legislative Assembly, Extraordinary Session, 1919, the provisions of which regulate the prices and margins of profit of all commodities bought or sold within the state. The Board of Railroad Commissioners was made ex-officio the Montana Trade Commission and an appropriation of twenty-five thousand dollars was made to pay the expenses of the Commission for the years 1919 and 1920. The Commission was empowered to employ a market investigator, two deputy market investigators, and the necessary office help. Chapter 21 was approved August 11, 1919, and August 13, 1919, the Montana Trade Commission was organized. Mr. J. Frank Cone was appointed market investigator and later the two deputy investigators were appointed.

To determine to what extent profiteering was being practiced the Commission had its market investigator and his assistants make investigations of the various lines of business in Helena, Butte, Billings and Miles City. The result of such investigations demonstrated beyond a doubt that in the opinion of the Commission many of the merchants were demanding excessive profits. Owing to the manner in

which the law had to be enforced, there would have been considerable delay in securing the desired results. Therefore, the Commission concluded that some immediate action should be taken, and believing that public sentiment would have considerable effect in regulating prices charged by the merchants, the following statement of facts was furnished the press throughout the state and given general publicity:

Begins Its Work.

During the 16th session of the legislature the Montana Trade Commission was created and the control and regulation of all public flour mills operating within the state was placed under the jurisdiction of the Railroad and Public Service Commission. On June 16, 1919, the Commission issued its initial order regulating the mill costs of manufacturing flour and its by-products.

At the special session of the legislature, held in August of this year, the powers of the Trade Commission were further extended under Chapters 13 and 14, Extraordinary Session Laws of 1919, empowering the Commission with jurisdiction over the organization and control of irrigation projects.

Chapter 21 deals with the regulation of the high cost of living, and the provisions of the law empower the Commission with authority to regulate the prices or margins of profit to be charged on all commodities bought or sold within the state. As Montana is the first state to take up the regulation of the high cost of living, there were no established precedents to guide the Commission in the organization work, nor in the determination of the best methods of control. Therefore, there was some delay in the organization of the Commission and in assembling the necessary data, in order to carry out the provisions of the law.

As a preliminary step, in order to determine to what extent profiteering was being carried on, the Commission sent its market inspectors and its auditors into the field and investigations were made at various points throughout the state. The result of these investigations, together with a review of the reports turned over to this Commission by the investigation commission of the legislature, and of the reports of the Efficiency Board, leads us to believe that excessive and unreasonable margins of profits are being charged the consumer, and in many cases profiteering is being practiced.

It should not be understood, however, that all business houses investigated are making unreasonable returns on the capital invested. This may be due to the fact that in certain lines of business there are too many merchants in the field, and the business is overdone. All merchants, however, who understand the business of buying and selling and who conduct their affairs along business lines should be able, under present conditions, to earn adequate salaries and a reasonable return on the capital invested. This condition makes it possible for the department stores, well-established business houses, and the merchants handling exclusive, high-grade standard lines, to earn excessive returns on their investments. Our contention in this respect is borne out by Dun's and Bradstreet's, as their reports show that under the abnormal high prices the percentage of business failures has greatly decreased.

Placing the Responsibility.

We have had a short time only to study this question, but after a review of the conditions and an examination of the manufacturer's price lists we are of the opinion that the greater portion of the increased cost of living is due to the abnormal increased cost of the raw material, labor and manufacturing prices. The fact cannot be denied, however, that to a certain extent, the local jobber, the wholesaler and the retailer, in demanding excessive margins of profit, are also responsible for the present condition.

Notwithstanding the fact that it is nearly a year since the armistice was signed, the cost of living shows a constant upward trend, and a vigorous campaign is being waged throughout the country to buy now, as prices are going to advance further. This propaganda is being spread by the manufacturers and retailers and should be ignored, as prices are bound to decline. But it is up to the consumer to assist in bringing about this condition by economizing and refusing to pay the excessive prices demanded. A popular theory of the merchant is: "It is just a question of educating the American people to the present conditions." That works out all right with the man in business and with the members of his family, as they are willing to pay the prices demanded by the other fellow, but the man with an ordinary income cannot afford to follow their lead. Therefore, we feel that to guide

the consumer he should have some knowledge of the cost price of commodities, and the margin of profits demanded by the retailer.

We, therefore, submit the following facts regarding the investigations made at various points throughout the state. The percentage and margin of profits shown represent the gross profit over the cost of the goods, from which freight charges and operating expenses must be deducted.

Percentage and Profit Margins.

Average per cent gross profit on ladies' clothing and shoes, 13 different lines	67%
Average per cent gross profit on men's clothing and shoes, 7 different lines	59%
Average per cent gross profit on dry goods, toweling, bedspreads, table linen, etc., 9 different lines.....	62%
Average per cent gross profit on children's dresses, girls' coats and boys' suits, 3 different lines.....	60%
Average per cent gross profit on all groceries.....	34%
Average per cent gross profit on comforters, pillows, blankets, rugs, etc., 6 different lines.....	61%

Cost and Retail Price

The following statement is the result of investigations of various lines and shows in detail the cost and retail price of different articles and commodities:

Men's high grade shoes, which cost the retailer \$6.50 to \$8.35, are retailed for \$12.00 to \$16.00.
Men's medium grade shoes, cost price \$3.85 to \$6.00, retail for \$8.00 to \$10.00.
Ladies' high grade shoes, cost price \$7.10 to \$10.65, retail for \$12.00 to \$20.00.
Children's shoes, cost price \$1.30 to \$3.35, retail for \$2.25 to \$5.50.
Ladies' medium grade, cost price \$3.85 to \$6.00, retail for \$7.50 to \$10.00.
Men's high grade ready-made suits, cost price \$36.33, \$46.20, \$52.39, retail for \$60.00, \$65.00 and \$75.00.
Men's medium grade suits, cost price \$14.85, \$27.50, retail for \$33.85, \$45.00.
Boys' suits, cost price \$4.25, \$7.00, \$11.50, retail for \$6.75, \$12.25, \$18.50.
Men's shirts, cost price \$1.00, \$2.25, \$4.75, \$7.95, retail for \$1.75, \$3.75, \$7.50, \$12.00.
Men's overcoats, cost price \$24.92, \$26.95, \$44.00, retail for \$40.00, \$50.00, \$70.00.
Ladies' dresses, cost price \$22.50, \$32.50, \$42.50, retail for \$37.00, \$55.00, \$69.50.
Ladies' coats, cost price, \$15.00, \$23.50, \$42.50, retail for \$27.50, \$40.00, \$79.00.
Ladies' suits, cost price \$25.00, \$27.50, \$42.50, \$70.00, retail for \$40.00, \$49.50, \$78.00, \$125.00.
Ladies' waists, average grade, cost price \$9.00, retail for \$15.00.
Ladies' sweaters, cost price \$3.50, \$9.00, retail for \$6.00, \$15.00.

Ladies' hats, cost price \$4.25, \$8.00, \$18.50, \$25.00, \$38.50, retail for \$9.50, \$13.50, \$32.50, \$52.50, \$75.00.	
Ladies' gloves sell at an average gross profit of.....	52%
Ladies' hose sells at an average gross profit of.....	61%
Ladies' underwear sells at an average gross profit of....	55%
Dry goods sell at an average gross profit of.....	47%
Silks sell at an average gross profit of.....	62%
Wool dress goods sells at an average gross profit of....	69%
Toweling sells at an average gross profit of.....	66%
Bedspreads sell at an average gross profit of.....	62%
Muslin and sheeting sell at an average gross profit of....	27%
Table linen sells for an average gross profit of.....	75%
Linen napkins sell at an average gross profit of.....	68%
Comforters sell at an average gross profit of.....	83%
Pillows sell at an average gross profit of.....	61%
Cotton blankets sell at an average gross profit of.....	73%
Mattresses sell at an average gross profit of.....	64%
Woolen blankets sell at an average gross profit of.....	60%
Rugs sell at an average gross profit of.....	58%
Groceries sell at an average gross profit of.....	34%

Pyramiding Advances

Before the war and under normal conditions, if the prices of commodities were advanced, as a rule, the increase amounted to only a small per cent over former quotations. It was considered a legitimate practice for the merchant to apply the advanced cost to any goods of the same commodity on hand. The same practice is being pursued today, and in some cases abnormal advances are being pyramided and the profit is absorbed by the merchant. Under present conditions, is the merchant entitled to such profits? We think not. An average price should be used.

The Commission will soon be in position to conduct formal hearings throughout the state, but owing to the method in which the provisions of the law must be applied, it will take some time to cover the territory. In the meantime, the Commission suggests that the different mercantile organizations should get together, with a view of adopting a uniform method of applying a reasonable margin of profit for all commodities and lines of business in this state. If this suggestion is complied with, it will materially assist the Commission in carrying out the provisions of the law; otherwise the Commission, in making its investigations, will find it necessary to bring public opinion to bear upon the matter by publishing in detail the results of specific investigations.

Figuring on Profits

The officers of the Merchants' Association of Helena addressed an open communication to the Commission, to which the Commission replied September 26, 1919, as follows:

This is to acknowledge receipt of your note addressed to Mr. Frank Cone, Market Director; also the series of questions propounded by your association touching upon the high cost of living. In answer thereto, we beg to submit the following:

I

The method used by the merchants in arriving at the gross profit is misleading and is not understood by the public, inasmuch as you base the profit upon the selling price. Formerly it was based on the cost price. The Commission does not care to enter into a discussion regarding this point, other than to say that it is immaterial which method is used.

If a merchant invests \$200.00 and sells for \$300.00 and it costs to do business 25 per cent of the gross sales, the merchant has made a gross profit of \$100.00 minus an expense of \$75.00, leaving a net profit of \$25, or $12\frac{1}{2}$ per cent on his investment, which represents a gross profit of 50 per cent on cost price and $33\frac{1}{3}$ per cent on the selling price.

You further asked, what about the decline in prices when a merchant finds he has a large stock on hand which he will have to sell at cost or below cost?

When war was declared the merchants had an average stock of goods on hand which was purchased at normal prices. During the past five years the cost of the same goods to the merchant has advanced in many instances in leaps and bounds and the merchant received the benefit of such advances by raising the cost of all goods on hand to the market level. This condition has existed for a period of five years.

While prices will never return to the pre-war level, the period of readjustment will not be nearly so long as the period of inflated prices. The law of averages should govern and the substantial profits earned during the past five years should be spread over the period of reconstruction.

II

We realize that it is customary for the merchant to mark goods of "STYLE AND NOVELTY" at a much higher margin of profit than the ordinary merchandise but we do not think that in order for the merchant to protect himself in the cleaning up of odds and ends at the close of the season, it is necessary to charge the customer from 50 to 100

per cent gross profit on such goods. The odds and ends which are marked down at the close of the season as a rule represent a small percentage of the amount of goods disposed of during the season.

III

You state that under normal years the cost of doing business in the middle west and northwest is 25 per cent of the gross sales.

Assuming that 25 per cent of the gross sales covered the cost of operating in normal times, is the merchant entitled to use the same per cent of the gross sales as an operating expense plus interest on the additional capital invested and the increased cost of labor and other operating expenses, under present conditions?

For example: In normal times, using an arbitrary figure, we will assume that the merchant paid \$4.00 for a pair of shoes and sold them for \$6.00. He made a gross profit of \$2.00, or 50 per cent on the cost price and $33\frac{1}{3}$ per cent on the selling price. This profit represented the fixed charges, operating expenses and a return on the investment.

If the same pair of shoes now costs him \$8.00, the average merchant applies the same percentage, and in many cases, adds the increased cost of doing business under present conditions and sells the shoes at a price ranging from \$12.00 to \$15.00.

Why should he not be satisfied with the gross profit that he enjoyed under normal conditions plus interest on the additional capital invested, together with the advance in salaries and other operating expenses as prorated and applied to a pair of shoes?

IV

If the merchant must have the margin of gross profit which he is demanding today, then the system of the retailer to reach the customer is too expensive and there are too many merchants in the field.

V

You state that advanced prices are not all caused by increased price of raw material, increased wages and decreased hours, but more than one-half of all increases along the line is due to the fact that the dollar is not the dollar of before the war. Why? Because of increased circulation and increased credits.

You might have also included the increased or overcapitalization (capitalization which does not represent actual money upon which the consumer must pay a return).

We agree with you that the "increases in wages have added a step or two to the winding stairs leading to the present high prices," but you cannot deny the fact that the man who has something to sell is the fellow that has received the real benefit.

VI

Your determination to cooperate with the Commission, open your books and take the public into your confidence is commendable. Cooperation and fair play are the foundation of progress. Such a policy, if pursued by all, especially by those in control, means the advancement of Montana and a more contented people as a whole.

When the merchants met in a general conference at Butte for the purpose of merging all the old mercantile associations into a new organization, known as the Montana Development Association, in a general statement to the press they denied the fact that they had been requested to cooperate with the Commission in the regulation and control of prices. As this information was handled by the Associated Press and given general publicity, many merchants not familiar with the facts felt that the Commission had been unfair and rather hasty in attempting to regulate prices without giving the merchant an opportunity to be heard and a chance to cooperate with the Commission. So that there will be no misunderstanding in the future concerning this matter, we submit the following facts regarding the action of the Commission in reference to the effort made to secure the cooperation of the merchants.

Cooperation Requested

The Commission fully realizing the stupendous task involved in the regulation of prices, due to the manner in which the provisions of the law should be enforced, felt that in order to obtain immediate relief throughout the state, it was necessary to secure the cooperation of the merchants. With that end in view, the Commission requested the officials of the different mercantile organizations in the state to meet it in an informal conference, with the understand-

ing that if the officials of the different organizations approved the action of the Commission, they would then call a general conference of the representative men of the different lines of business with the view of assisting the Commission in carrying out the provisions of the law.

On October 9, about forty merchants representing the various organizations met in Helena, and when the conference was called to order, the Commission, in order to expedite matters, submitted the following statement, setting forth its views and its attitude:

After a study of the Trade Commission law and a review of the investigations made at various points throughout the state, the Commission realizes that to carry out the provisions of the law and to make it workable within a reasonable length of time, it is absolutely necessary to secure the cooperation of the merchants, and that term includes all institutions within the state selling goods to the public, as all business houses handle various lines upon which the margin of profit is determined upon the turnover and the length of time it takes to dispose of the goods.

Therefore, the Commission has come to the conclusion that to name a uniform margin of profit on the commodities handled by the druggist, the grocery man, or other merchant would be unfair, and that it would be a difficult task for this Commission, or any one else, not experienced in merchandising, to attempt to promulgate a graduated scale of prices for the various lines carried by the different merchants.

It is for that reason that you are called here today as representatives of the different mercantile organizations, as the Commission is desirous to ascertain what your attitude is regarding the cooperation between the merchant and the Commission in endeavoring to carry out the provisions of the law.

If you feel that your organizations are willing to cooperate with the Commission, we suggest that after the close of this conference you call together for a general conference the different organizations, or a representation of each organization, selecting the delegates from the various cities, which should include representations from the large and small mercantile establishments and from the large and small cities and towns throughout the state, so that all interests will be represented.

The manner in which you handle this matter is immaterial to the Commission. The object is to have the merchants get together themselves and thresh out the question, pro and con, of the high cost of living, and make up their mind that as conditions are now slowly returning to a normal level that they must readjust their business affairs and be satisfied with a less margin of profit.

In connection with this matter it should be borne in mind that during the general prosperity of the past five years, due to increased production and the abnormal high prices throughout the state, many new business houses have entered the field, and with the prices that prevailed they were all enabled to earn adequate salaries and a reasonable return on their investment.

Due to decreased production, drought, and short crops, many thousands of people, including the laboring classes, have left the state; yet in many localities we have the same number of business houses whose overhead and operating expenses the consumer must pay. This local condition is responsible in a measure for the abnormal margin of profit demanded by the merchant, and in our opinion, it is unreasonable to expect the consumer to bear this additional and unwarranted burden under present conditions.

Duty of the Merchants

If your organizations are willing to cooperate with the Commission by calling a general conference of the mercantile organizations, and it is agreeable that the present retail prices should be readjusted, we suggest, if new schedules are adopted by the delegates attending the general conference, that you appoint a committee consisting of one or two delegates from each organization, to submit the new schedule to the Commission for its approval. It should be understood, however, that in the discretion of the Commission such schedules will be subject to modification. As a result of our investigations we have come to the conclusion that many of the merchants have failed to realize the fact that the war is over and that war prices should be discontinued, and we have formed the belief that it is the duty of the merchants to reduce their profits to a reasonable basis which will permit the consumer, who depends upon a fixed income or wage scale, to live within his income and enjoy more fully the purchasing power of his money.

In placing this matter before your organizations you should point out to them the fact that, if they are unwilling to cooperate with the Commission, by meeting and adopting a reasonable schedule of prices, this Commission will take immediate steps to carry out the provisions of the law by regulating the margins of profits which the merchant will be permitted to collect from the consumer. We hesitate, however, to adopt this policy until such time as your organizations have had an opportunity to get together with the view of whipping into line the belligerent members of your organizations who still feel they are entitled to war profits.

The conference then adjourned to enable the merchants' representatives to familiarize themselves with the views of the Commission, and after several hours of discussion of the merits of the suggestions set forth by the Commission, they adopted resolutions and appointed a committee to report back to the Commission.

When the conference was reconvened, the resolutions were presented to the Commission with verbal statements that the views of the merchants were fully set forth in the resolutions. The resolutions and the attitude of the committee indicated that cooperation between the merchants and the Commission was not possible. The following is a copy of the resolutions adopted by the merchants' committee:

Cooperation Not Possible

To the Hon. Members of the Montana Trade Commission :

At the suggestion of the Commission, we as the representatives of various organizations, trades, businesses, and industries, are glad to meet you in the spirit of cooperation for the purpose of considering the solution of the high cost of living.

We hold absolutely to previous expressed opinions, believing that any act or law purporting or aiming to the fixing of prices, profits, or margins, to be diametrically forbidden by the statutes of our state, as well as the constitution of the Federal Government.

Any attempt to arrive at a uniformity of margins or set percentage of profits or margins on any commodity would not be practical, volume being a controlling element and factor. The same percentage of gross margin might yield the merchant in a local-

ity doing a large volume of business, affluence and prosperity, while to a merchant located in a community where the volume of business was small that same percentage of profit would result in bankruptcy and failure, yet the necessity for the merchant in the small community is apparent.

We are opposed to the fixing of prices.

The inevitable law of supply and demand is today and always has been the controlling factor in arriving at the value of all commodities.

It is recognized by all students of economics that there exist today from coast to coast an UNDER-PRODUCTION of the products of the farm, factory, shop, mill, and forest, and one of the fundamental contributory causes of this under-production is traceable primarily to the result that millions have been engaged in destructive and not constructive vocations. The epidemic known as the "flu" has taken its toll from the productivity or producing army.

The hours of the crafts, producers, and tradesmen employed in all classes of production has been lessened and their efficiency has fallen below the standard of former years.

Conditions of today cannot be compared with conditions of a few months ago and will not perhaps be applicable as of tomorrow. We do not believe that goods and commodities sold represented by the general established vendors throughout the state represent any unreasonable margins of profit as compared with the cost of production and the selling price of the producer. It should be borne in mind that only a small percentage of the goods sold in Montana are produced within our state. Hence neither the Commission, the merchant, nor the consumer have any power to control the value of any commodity not produced within the state.

Should the wisdom of the Commission prompt them to call conferences of those interested at some subsequent date, we respectfully ask that you call into such conference the authors of the law or measure, who must have had some practical idea as to its application thereby securing from said authors a suggestion of a practical application of the law.

They, the authors, should be able to suggest a practical remedy that will result in a relief. We, your committee, are unable to do so.

Respectfully submitted,

W. A. SELVIDGE, Chairman,
R. L. VARNEY, Secretary.

B. J. BOORMAN, Chairman,
B. B. BRISCOE,
R. N. HITCHCOCK.

Dated October 9, 1919.

Self-Regulation Offered

It will be noted that the Commission's statement offered the merchants self-regulation by allowing them to get together and adopt for the different communities a reasonable, graduated scale of margins of profit on the different lines of goods carried by the various merchants, subject to modification by the Commission, thus allowing the merchants to eliminate from their ranks those who were profiteering and taking advantage of the unsettled economic conditions during the reconstruction period. The committee brushed aside all suggestions regarding self-regulation and the fixing of prices and informed the Commission that such a procedure would be impractical, as it would be impossible for a committee of merchants to promulgate a graduated scale of prices that would be fair and reasonable to all merchants in the different communities. The Commission realizing that the cost of doing business varied in the different localities further suggested that the scale of prices be determined and based upon the cost of doing business in the various zones. This suggestion was also ignored.

The Commission realizing that nothing was to be gained by further discussion of the matter adjourned the conference and immediate steps were taken to carry out the provisions of the law with the view of establishing a fair and reasonable margin of profit which the merchants should charge the consumer. With that end in view the market investigators and the auditors were again sent into the field with instruction to make a thorough check of the different lines of business

in the various cities, in order to determine the cost of doing business in the different localities. One hundred and thirty-one investigations of various business houses were made in the following cities:

Butte, Billings, Bozeman, Chinook, Conrad, Forsyth, Glacier Park, Glasgow, Glendive, Great Falls, Havre, Helena, Kalispell, Libby, Malta, Miles City, Missoula, Mondak, Plentywood, Sidney, Terry, Thompson Falls, Townsend, Valier, Warland and Whitefish.

The data secured through such investigation were compiled in a concrete statement and the Commission was then in position to hold formal hearings. November 6, 1919, the Commission selected November 20, 1919, as the date upon which hearings would be held in the city of Butte, and the merchants of the various lines in that city were notified according to the provisions of the law to appear before the Commission on that date. In the meantime the Commission on November 4, 1919, issued General Order No. 4 which is as follows:

Before the Montana Trade Commission

Helena, Montana,

November 4, 1919.

GENERAL ORDER

NO. 4

Under and by virtue of the authority contained in Chapter 21, Session Laws 16th Legislative Assembly, Extraordinary Session, 1919, and after due investigation made,

IT IS HEREBY ORDERED:

1. That every person, firm, co-partnership, and corporation transacting or engaging in the business of buying or selling or buying and selling commodities, foodstuffs, and products, or articles of merchandise and farm implements and machinery, whether at wholesale or retail, within the State of Montana, shall, not later than the first day of December, 1919, mark each article or item offered for sale in plain figures of sufficient size to be readily readable, as follows :

Invoice cost per article, pound, dozen, yard (or other sale unit of weight, number or measurement) (at wholesale or retail as the case may be): \$_____ Sale price per article, pound, dozen, yard, (or other sale unit of weight, number or measurement) (at wholesale or retail as the case may be): \$_____

In the case of bin or bulk goods where marking tag or mark may not be placed on the goods, such mark or marks must be recorded on cards or placards not less than five inches long by three inches wide, which placards or cards must be conspicuously posted on the containers of such bin or bulk goods.

2. Canceled by General Order No. 5, November 12, 1919.

3. Consumers will report any violation of this order to the Commission.

4. Penalty for violation of this order is a fine of not less than One Hundred Dollars (\$100.00) for the first offense.

IT IS FURTHER ORDERED That a true copy of this order be published at least once in four newspapers of general circulation within the State of Montana, and that each licensee under the provisions of the Act aforesaid be mailed a certified copy thereof, at its proper address.

By order of the

MONTANA TRADE COMMISSION,

(Signed)

DANIEL BOYLE, Chairman.

Constitutionality of Law Attacked

When the above order was given publicity the merchants throughout the state immediately organized the Montana Development Association, and, according to press dispatches, raised a fund of one hundred thousand dollars to test the constitutionality of the law. November 17, 1919, counsel for the Montana Development Association appeared before the Federal Court and secured an injunction restraining the Commission from carrying out the provisions of the law until such time as its constitutionality was passed upon by the court.

The merchants have vigorously resisted regulation and have registered a general protest against the provisions of General Order No. 4. They seemed to overlook the fact that it was the wholesaler, the jobber and the retail merchant, as shippers, that brought about the regulation of railroads and public utilities, and they were also indirectly responsible for many restrictions placed upon business industries other than mercantile. At present they maintain traffic clubs in all important cities; also a state traffic association. Before the United States entered the world war they were constantly petitioning this Commission and the Interstate Commerce Commission for lower rates. If the railroads or a utility applied for an increase in rates, when the hearings were held, representatives of the traffic clubs and merchants were in attendance and protested against any increase being granted.

Agency Refuses to Supply Mailing List

In order to comply fully with that provision of the law which requires the Commission to collect from each individual, co-partnership or corporation selling goods for profit a license fee, it was essential that as complete a list of those subject to the license provision as possible be secured. To do this the Commission subscribed to a leading commercial agency. The fee was paid and the semi-monthly lists of the agency were sent to the Commission for two weeks. Then the agency returned the fee the Commission had paid, with notice that it could not continue the service. The explanation given was that it could not assist in anything which would be harmful to the mercantile interests of the state. As the Commission simply desired the names and addresses of those

in business, without regard to their rating, but to comply with and to carry out the licensing provision of the law, without showing any favors, we believe the motive actuating the agency in discontinuing the service, and the influence back of the action, will, when the proper time arrives, be revealed.

Up to the effective date of the restraining order the Commission had sent out to the wholesalers, jobbers and merchants of the state approximately 15,000 license application blanks. The merchants were rather dilatory in complying with the provisions of the law by procuring licenses. Of the total number of applications sent to the merchants, there were 5,674 merchants who responded, and the following licenses were issued:

1,869 Two Dollar Licenses, Revenue.....	\$3,738
3,805 One Dollar Licenses, Revenue.....	3,805 or a total

of 5,674 Licenses Representing a Total of.....	\$7,543
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Over three thousand inquiries were received and answered by letter. One hundred and thirty-one inspections of different firms had been made and reported on, and each of these reports has been typed and a comprehensive and concise digest made of each. These reports show a check made of the various lines carried by the different merchants, also the stock number, the invoice cost, the selling price, and the gross margin of profit. In addition to this a copy of the yearly business statement was secured showing all expenses, revenues and profits.

In attempting to arrive at the individual and an average profit earned by merchants handling the same lines, the Commission experienced the same difficulty that the special legislative committee did in its investigation, as it was found that many of the merchants had included in their operating expenses various items of expense, such as anticipated losses, farm losses, mining stock ventures, donations to war drives, liberty bonds, exorbitant rents, excessive salaries, and other extraordinary expenses.

To arrive at a definite conclusion as to the actual net profits earned by the different merchants it would have been necessary to make a complete check of each merchant's book accounts, including all expense vouchers, for a period of one year, and, of course, it was impossible to do this, as it would have taken an army of auditors to secure this information.

An Average Exhibit of Prices

The investigations disclosed that many merchants were exacting excessive profits. Believing that immediate relief should be granted to the consumers, the Commission adopted the policy of writing a letter to such merchants, pointing out the excessive prices demanded and requesting the merchant to make a voluntary reduction. The following is a copy of a letter sent to a well-known general store and is an average exhibit of prices demanded by many of the merchants investigated:

Gentlemen:

After a careful examination of the reports of our inspectors into the cost and selling price of merchandise handled by your firm, this Commission is of the opinion that you are charging unreasonable and excessive margins of profit on practically every line on which we have reports. We base our findings upon the figures we quote hereunder and are writing in order to give you an opportunity to voluntarily reduce your prices to a level consistent with a fair return on your investment.

We quote the following as instances of excessive margins of profit :

	Stock No.	Invoice Cost	Selling Price
Ladies' Underwear	B736	\$.92	\$1.95
(The average percentage of gross	B158-1	1.04	2.00
profit on invoice cost is over 71%)	3149	2.34	4.00
Ladies' Waists	341	3.75	6.95
(The average percentage of gross	74	4.50	8.50
profit on invoice cost is over 78%)	108	6.75	12.50
Ladies' Furs	602	20.00	37.50
(The average percentage of gross	807	27.50	52.50
profit on invoice cost is over 84%)	7208	37.50	67.50
	1113	39.00	75.00
	11134A	54.00	95.00
Ladies' Corsets		3.75	7.00
(The average percentage of gross		4.50	8.50
profit on invoice cost is 86%)		2.75	5.00
Cotton Velvet		1.37	2.40
Silk Velvet		3.75	9.00
(The average percentage of gross			
profit on invoice cost is 122%)			
Ladies' Dresses		12.75	23.75
(The average percentage of gross		22.50	42.50
profit on invoice cost is 84%)			
Ladies' Suits		75.00	150.00
(The average percentage of gross		40.00	79.50
profit on invoice cost is 84%)			
Plush Coats		35.00	75.00
(The average percentage of gross		67.50	150.00
profit on invoice cost is 104%)			

	Stock No.	Invoice Cost	Selling Price
Cloth Coats		18.75	39.75
(The average percentage of gross profit on invoice cost is 85%)		85.00	165.00
Dry Goods—We notice the average gross profit on the invoice cost at which you sell these goods is 95%, for instance:			
Serge		2.50	5.00
Serge		1.00	2.50
Volles .....		.68	1.25
Percales .....		.20½	.40
Gingham .....		.50	.85
Men's Overcoats		15.50	27.50
		14.00	30.00
(The average percentage of gross profit on invoice cost is 82%)		15.50	32.50
		26.00	47.50
Men's Suits		6.50	17.50
(The average percentage of gross profit on invoice cost is 81%)		14.97	27.50
		10.50	25.00
Men's Underwear		2.33	5.00
		1.50	3.50
		1.46	3.50
		1.21	3.50
(The average percentage of gross profit on invoice cost is 103%)		1.50	4.00
		1.96	4.00
Men's Shirts .....		.79	1.75
(The average percentage of gross profit on invoice cost is 98%)		.58	1.00
		.92	2.25
Men's Sweaters		1.45	3.75
(The average percentage of gross profit on invoice cost is 72%)		3.75	6.50
		4.00	7.00
Men's Trousers		3.75	7.00
(The average percentage of gross profit on invoice cost is 70%)		3.00	5.50
		3.00	6.50
Boys' Overcoats		4.75	10.00
(The average percentage of gross profit on invoice cost is 78%)		7.75	13.50
		3.87	10.00
Men's Shoes		5.20	10.00
		6.20	12.00
(The average percentage of gross profit on invoice cost is 87%)		4.60	9.00
		3.75	7.50
		2.25	5.00
		2.85	5.50
		3.85	8.00
		3.85	9.00
Men's Boots		4.50	8.50
(The average percentage of gross profit on invoice cost is 71%)		7.25	13.50
		6.50	12.00
Ladies' Pumps and Oxfords.....		2.75	5.00
(The average percentage of gross profit on invoice cost is 80%)		3.00	7.00
		4.75	8.50
Ladies' Shoes		5.90	10.00
(The average percentage of gross profit on invoice cost is 84%)		3.15	6.75
		4.00	8.00
		6.00	12.00
		7.00	14.00
		4.25	10.00
Children's Shoes		1.20	2.65
(The average percentage of gross profit on invoice cost is 70%)		3.50	6.00
		2.25	4.25

It does not appear to us equitable or just that the public should be charged such margins on the cost of goods as shown above. The items we quote are not isolated cases but indicate the general range of prices which are decidedly too high and this is apparent by the fact that your financial statement shows a net profit on your volume of business of about 11 per cent, and over 21 per cent on your investment for the year 1918; in addition to which Mr. _____ draws a salary of \$4,000.00 per year.

As before mentioned, if you will undertake voluntarily to reduce these prices, the Commission will be glad to have a letter from you to this effect and thus obviate the necessity of the Commission taking any further action under the penalizing clauses of Chapter 21, Session Laws of the 16th Legislative Assembly.

Very truly yours,
MONTANA TRADE COMMISSION.

Criticism of Order

The action of the Commission in issuing General Order No. 4 was severely criticized by the different merchants' associations and also by certain members of the press. It was pointed out that the work involved in complying with the order, particularly that portion of the order set forth in Section 2, would require additional employes and thus increase the operating expenses, which would increase the cost price instead of reduce it.

As the Commission had no desire to increase the operating expenses of the merchant, the order was immediately modified by the cancelation of Section 2. It was still claimed, however, that if the merchant is compelled to mark the goods with the cost and the selling prices it will greatly increase the cost of doing business. In view of the fact that the merchant heretofore made it a practice to mark all goods with the cost price and in many instances the selling price, very little consideration should be given to complaints of this nature. At present the merchant in marking the cost price upon the goods uses a secret code. Therefore, the only additional work placed upon the merchant is to change the secret code to plain figures. It is true that to comply with the provisions of General Order No. 4 will involve some additional work as it requires the changing of the system of marking the goods now on hand, but when that work is accomplished, there

should be no trouble or additional expense incurred in complying with the order by marking the new goods as they are received.

It is further stated that the consumer will not understand that the merchant must pay, over and above the invoice cost of the goods, freight and express charges, store rent, clerical hire, and other operating expenses. We can see no merit to such claim, as the consumer understands that the merchant, in order to exist, must not only recover the cost of the goods, but also operating expenses, fixed charges, and a reasonable return on his investment. The Commission has no objection if the merchant sees fit, in marking his goods, to add a third figure representing the cost of doing business or to furnish this information on placards conspicuously posted in his establishment.

As a rule the cost of doing business is based on the sales of the previous year, plus any additional cost of operation. We are sure that the consumer fully understands this and is willing to "foot the bill" if he is aware of the fact that the merchant is dealing fairly with him.

It is claimed that the Commission, in giving publicity to the margin of profits demanded by the merchants, had been unfair, inasmuch as the statement did not specify that the percentage of profit shown was the gross profit from which freight and express charges, operating expenses, and so forth, must be deducted. This criticism placed the action of the Commission in an unfavorable light, as the Commission in its original statement issued on September 19, 1919, stated as follows:

We, therefore, submit the following facts regarding the investigations made at various points throughout the state. The percentage and margin of profits shown represent the gross profit over the cost of the goods from which freight charges and operating expenses must be deducted.

The above is shown in the original statement issued by the Commission shown on a previous page of this report.

Legislation Along Similar Lines

No doubt General Order No. 4 is considered radical regulation by the men in control of distribution and sale of the essential commodities. The fact cannot be denied, however,

that many legislative bodies throughout the country are preparing to enact laws carrying provisions similar to the provisions of General Order No. 4. In this connection we desire to say that there are now pending before Congress two bills which, if enacted into laws, will make it mandatory for the merchants to display on all merchandise the cost price as well as the selling price. One of these bills is known as the Jones Bill and the other as the Siegel Bill.

The important provisions of Senate Bill No. 2904, by Senator Jones of Washington, are as follows:

Section 1. That the manufacturer of any article produced after the passage of this Act, and intended to be put in interstate commerce, shall plainly mark upon or attach to such article the cost thereof.

Sec. 2. That every retailer of any manufactured article carried in interstate commerce after the passage of this Act shall put upon or attach to such article before sold to his customers in plain figures the cost of such article to him.

The important provisions of House Resolution No. 8315, by Representative Siegel of New York, are as follows:

Sec. 2. That every person in the United States, before transacting business either as manufacturer, jobber, wholesaler or retailer, shall be required to obtain from the collector of the district wherein he transacts business a license or permit to transact business within such internal-revenue district for a period of one year. That at the time of making application for the issuance of such permit or license he shall state under oath the kind of business which he transacts, together with such other information as the collector shall require, and shall pay to such collector the sum of \$10, to be paid into the Treasury of the United States.

Sec. 3. That any person now or hereafter engaged in business in the United States to whom a permit or license shall have been issued, who shall expose or offer for sale or cause to be exposed or offered for sale to the public any article of goods, wares, or merchandise without having plainly stamped or printed thereon or attached thereto a card showing the true, actual cost price thereof, such person shall be guilty of profiteering and shall be punished as hereinafter provided.

Sec. 6. That the language "engaged in business", used in Section 3 of this Act, shall be construed to include those who manufacture or purchase from others goods, wares, and merchandise for the purpose of offering for sale such goods, wares, or merchandise.

Sec. 7. That the language "true, actual cost price thereof," used in Section 3 of this Act, shall not be construed to include any drayage, freight, or carriage charges paid by the purchaser, or any discount allowed on bills paid before maturity.

Sec. 9. That in addition to the penalty provided for the violation of any part of this Act, the commissioner shall have the right to immediately revoke the said permit or license issued to said person to transact business, and no permit or license shall be issued to said person to transact business within one year after such violation.

In addition to this we call attention to President Wilson's recommendations to Congress in his message of December 2d, 1919, which are as follows :

I would also renew my recommendation that all goods destined for interstate commerce should in every case where their form or package makes it possible, be plainly marked with the price at which they left the hands of the producer.

We should formulate a law requiring a federal license of all corporations engaged in interstate commerce and embodying in the license, or in the conditions under which it is to be issued, specific regulations designed to secure competitive selling and prevent unconscionable profits in the method of marketing. Such a law would afford a welcome opportunity to effect other much needed reforms in the business of interstate shipment and in the methods of corporations which are engaged in it; but for the moment I confine my recommendations to the object immediately in hand, which is to lower the cost of living.

Price Regulation in Canada and Europe

It will be noted from the following that the Board of Commerce of Toronto, Ontario, and that England and other European countries have also adopted a method of price regulation:

The board of commerce here (Toronto) has issued an order of agreement with local clothing dealers, prohibiting a gross profit of more than $33\frac{1}{3}$ per cent on sales of ready-to-wear and partly ready-to-wear clothing. On less expensive suits costing the retailer under \$25.00, the board allows even a smaller profit, namely, 26 per cent, maximum. Out of this gross profit the retailer must pay his rent, taxes, salaries, etc., and provide for depreciation and other overhead contingencies.

The order goes into effect in Toronto December 15, and the board says: "If there is no good reason shown why it should not go into effect throughout the dominion, it will become dominion-wide." The order is signed by Judge Wilson, W. F. O'Connor and Chairman Foster.

The Toronto section of the retail clothiers and those outside it, who have agreed to cooperate in carrying out the order, are thus prepared to take a very substantial reduction of their receipts.

Price regulation is also enforced in England and many other European countries. According to a statement by Mr. Norman Hapgood, until recently United States minister at Copenhagen, Denmark, in order to overcome the unrest caused by the high cost of living, has adopted national regulation along the same lines as the provision of General Order No. 4. The measures not only compel the merchant to show the cost and retail prices, but are even more drastic, as they cover both the manufacturer and the distributor. If a manufacturer or a merchant earns, under regulation, more than a reasonable return the excess profits are confiscated by the government.

It is evident that the Department of Justice, Washington, D. C., agrees with the Commission that General Order No. 4 would have the effect of curbing the profiteer, as Mr. Palmer, in a letter under date of December 6, 1919, acknowledging receipt of a copy of Chapter 21 (Trade Commission law) and General Order No. 4, which were furnished him by request, among other things states as follows :

General Order No. 4, issued under this law, is undoubtedly an excellent measure and should render profiteering exceedingly difficult.

Not All Are Antagonistic

It should not be understood that all of the merchants in Montana are antagonistic to General Order No. 4, as the Commission has received numerous letters from prominent merchants commending the Commission upon its action. They believe that it is a step in the right direction and that it will reduce the cost of doing business and be the means of placing business houses on a cash basis, thus reducing operating expenses, which will mean a lower price to the consumer.

One prominent merchant operating a general store writes the Commission that he has been in business in Montana for four years and that he has from the start pursued the same policy as provided for in General Order No. 4, that is, to display the cost and selling price on all merchandise, and to show that his method of doing business is appreciated by the consumer we beg to quote the following excerpt from his letter and his advertisements:

AS TO PROFITS—Our records will prove our statement, as four years ago we started with a capital of less than \$500.00, and today our monthly cash sales exceed \$13,000.00. Is this not proof that if a merchant deals fair and honest with the public they will support him and allow him a profit? I know what I am talking about and the records will prove my statements.

Consumer Benefited

Notwithstanding the fact that aside from General Order No. 4 no regulation has been attempted to date, the consumer has been greatly benefited by the creation of the Montana Trade Commission. The mere fact that the Commission was in the field prevented prices from going higher. About the time the Commission was created the manufacturers through the retailers were giving general publicity to a request that the consumers should buy now, that prices were going higher.

After General Order No. 4 was issued the propaganda was not effective in Montana, as a large per cent of the consumers stopped buying until the question of jurisdiction of the Commission was decided by the court and until such time as General Order No. 4 became effective. As the merchants had on hand large stocks purchased earlier in the season for the fall and holiday trade, it was necessary to dis-

pose of these stocks at special sales at greatly reduced prices. This condition existed in all of the cities and the larger towns throughout the state.

Law Declared Unconstitutional

Since writing the foregoing history and reviewing the work of the Montana Trade Commission the Federal Court has decided that Chapter 21, Session Laws of the Extraordinary Session, 1919, is within the inhibitions of the Fourteenth Amendment to the federal constitution, and the Court's opinion regarding the Act is as follows:

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF MONTANA.

A. M. Holter Hardware Company, et al., Plaintiffs,

vs.

Daniel Boyle, et al., Defendants.

No. 149.

This conventional suit to restrain state officials from enforcement of state legislation, involves the grave and momentous issue whether or not state legislative regulation of prices in ordinary mercantile business is repugnant to that clause of the Fourteenth Amendment which commands that no state shall "deprive any person of life, liberty or property without due process of law." To this all else is subordinate, which justifies their disposition with brief reference. The usual defenses of immunity of the state from suit, of premature action, and of adequate remedy at law are foreclosed by familiar decisions of the Supreme Court.

At the outset defendants note that the Act is of August 11, 1919, at an extraordinary legislative session to meet an emergency of drouth, that the legislature included a declaration that it is an emergency law immediately necessary for public health, peace and safety, and contend that it is supported by public opinion and prevailing morality, that these circumstances validate the Act as legitimate exercise of the state's police power, despite the Fourteenth Amendment, and that they are conclusive upon the court and require that it should proceed but to dismiss the suit. The law is otherwise. Constitutional rights are independent of legislative will. Public opinion and emergency can inspire exercise of powers possessed by the legislature, but cannot endow the latter with powers withheld from it by constitutions adopted by the people. No legislative declaration concludes the courts when fundamental rights are involved. Otherwise, the Constitution would be but a scrap of paper and the people's inalienable rights by it guaranteed would be open to destruction by legislative whim. It is true that public opinion, prevailing

morality and emergency often authorize a legislature to legally denounce that as a crime today which was lawful yesterday, to regulate a business as of public interest today which was purely private yesterday, to do that in behalf of public welfare today which it could not do yesterday; and all because of changes in circumstances and conditions wrought by passing time, which bring the instances within the principle that generic terms in constitutions and statutes open to include newly created species. The limitation of the principle is that it is subject to consideration in the light of other constitutional and statutory terms and principles, and any conflicts are to be resolved in favor of the one more harmonious with fundamental and other rights involved. And the police power of the state, which is nothing mysterious but only another name for the power of the people to govern themselves, is of course subject to constitutional limitations. That is what constitutions are for.

See:

Hamilton v. Co. U. S. Sup. Ct. Dec. 15, 1919;
Wilson v. New, 243 U. S. 348;
Buchanan v. Warley, 245 U. S. 70;
Adams v. Tanner, 244 U. S. 591;
Los Angeles v. Corporation, U. S. Sup. Ct. Dec. 8,
1919.

Proceeding to the merits, it is settled law (1) that the "liberty" guarded by the Fourteenth Amendment is not only freedom from bodily restraint but is also freedom to follow any common calling, to engage in any ordinary business, to labor for a livelihood, to barter, trade and sell, and (2) that the "property" protected by said amendment is not only things but is also the incidental right to enjoy, use and sell things. Both liberty and property and rights therein are like all other rights of persons in that they are not absolute but are qualified, are held and enjoyed with due regard and respect for the rights of all other persons both as individuals and as associates making up organized society. Hence, like all persons, things and rights, liberty and property are subject to regulation by the state. This regulation is limited to what is reasonable, and so far as here involved and generally speaking, all regulations are reasonable which do not violate the aforesaid "due process" clause of the Fourteenth

Amendment. For unreasonable regulations of persons in their employment and business does deprive them of liberty and property without due process of law, within the meaning of said amendment. So the issue resolves itself into the query, is legislative regulation of prices in ordinary mercantile business, unreasonable. That such regulation and also of wages were common in England and to lesser extent in the American Colonies before the union of states, is not so much an argument for as it is against like legislative right and power now. For parliament then as now was subject to no constitutional restraint. It has unlimited legislative power, and to all intents is a continuous constitutional convention all of whose enactments are valid and must be so considered by the courts. Despite a "due process" clause in Magna Charta, parliament enacts any laws it desires and that it believes will not excite rebellion. So was it in the American Colonies. In England these price fixing laws if they did not incite rebellion they did excite dissatisfaction and resentment. They may have had their share in riots and rebellion, and did have a share in emigration to America to escape them as well as other impositions. They were impractical, failed of enforcement, and were mostly repealed before the American Revolution. Conditions and people in America were even less suited to such laws, and here they met the fate of their English predecessors. In American constitutions a system of government different from England's was adopted, designed to remedy English abuses and defects, and to insure a greater freedom. It maintained all basic principles of the social compact cherished in England, but to accord with conditions, people, opinions and morality some different from England's, it abolished some abuses and corrected some faults known in England, and created and protected some rights and powers there unknown. By it none of the rights and powers of the people were destroyed, but they were recognized to an extent unknown in England and were distributed and safeguarded otherwise than in England. Here the people reserve more power to themselves, and gave less to legislatures than is enjoyed by parliament. For their own welfare, they regulated and restricted the exercise of all power, both by themselves and by legislatures, in respect to by whom, when and how any power could be

exercised. And all to avoid revival in this country of English misrule from which we were escaping, to preserve our inalienable rights of life, liberty, property, and pursuit of happiness—in brief, to govern ourselves only with the consent of the governed and as best comports with an enterprising and independent people in a free land. So while the American people possess all right and power, they have agreed and contracted every person with all others, every state with all others, that some thereof can be exercised by the people alone, some by state legislatures alone, some by the United States alone, and some by accord of three-fourths of the states alone.

Such is the will of the people expressed in their constitutions. In relation to the power to fix prices and wages in ordinary business and vocations, it has been assumed and accepted doctrine from the beginning that the people in the state constitutions reserved it to themselves and withheld it from legislatures, and from the time of the Fourteenth Amendment that they restricted or suspended the power so long as the “due process” clause be not changed by appropriate action by three-fourths of the states. And this construction of constitutions rises to the dignity of a rule of property and a principle of government, not to be set aside by legislatures and courts for any public opinion, morality or emergency, but only by the people by appropriate constitutional amendment.

If there be any decision by a court of last resort contrary hereto, it has not been cited and is unknown. The baker’s bread cases—*Mobile v. Yuille*, 3 Ala. 140, and *Guilotte v. New Orleans*, 12 La. An. 432, do not decide the point or fail to consider the constitutional provisions here involved. There is legislative power to regulate or fix prices and wages in some business and vocations, which is reasonable and so permitted by the Fourteenth Amendment. The rule thereof is limited to those defined as of public interest, concern and consequences such as public utilities, grain storage, insurance, wages of men in some of said utilities perhaps to a limited extent, and wages of women and minors likewise. Ordinary mercantile business and common vocations are not of this public interest, concern and consequences, but are wholly private; and so the reason for legislative regulation

of prices therein failing, the rule of regulation does not apply. It follows that any legislative regulation of prices in the matter of ordinary mercantile business and common callings is unreasonable in that it does violate the "due process" clause of the Fourteenth Amendment, deprives of liberty and property "without due process of law." It is believed this is clear and settled law by decisions of the Supreme Court. From *Munn v. Illinois*, 94 U. S. 113, to *Wilson v. New*, 243 U. S. 347, many cases involving the validity of legislative price regulation, in view of the Fourteenth Amendment, have been before that great tribunal. In all of them the determining point was whether the business or calling was of public interest, concern and consequence, or was it ordinary mercantile business or common calling and so purely private. In every case wherein the power was upheld, it was because the court or a majority of it were persuaded the business or calling was of the former character and not of the latter. The dissenting Justices were not so persuaded.

But in all cases all the Justices were in accord that while legislative power of price regulation exists in business and callings of public interest, concern and consequences, it does not exist in ordinary mercantile business and common callings, and because they are purely private; because in respect to them such regulation is unreasonable and contrary to the Fourteenth Amendment. It is emphasized that whenever the court upheld legislative price regulation it was only because after a struggle it was able to view the instance as not of ordinary business or calling, but of public interest, concern and consequence. In defining what is the public interest that renders legislative regulation of prices reasonable, and in what business it exists, the Supreme Court says it can be best explained by examples. And thereupon it cites those hereinbefore mentioned. It further says that though there is some public interest and concern in every transaction by every person, that is not the public interest in respect to which alone there is legislative power to regulate prices; that this latter public interest exists only when it is a "broad and definite public interest" arising by reason of the nature of the business, wherein its proper conduct concerns more than the parties to any single transaction, wherein by reason of peculiar circumstances the business sustains such relation to the public that they are affected

by its consequences; and in substance that this public interest does not exist in ordinary mercantile business, because therein transactions are independent, individual, and of no material consequence to any one save the immediate parties to them, upon whom alone their effect falls.

See:

Germania, etc., Co. v. Kansas, 233 U. S. 406.

In answer to the argument that the reasoning of the decision would sanction legislative regulation of every act of labor and price of every article of use, the court significantly says: "We might, without much concern, leave our discussion to take care of itself against such misunderstanding or deductions. * * * Both by the expression of the principle and the citation of examples we have tried to confine our decision to the regulation of the business of insurance, it having become clothed with a public interest, and therefore subject to be controlled by the public for the common good."

And the court points out how insurance creates interdependence between all policy holders in connection with other peculiar features, creating a public interest. Ordinary shop keepers are not of public calling. Terminal, etc., Co. v. District, 241 U. S. 256. Congress has more power over the district than any legislature has over a state, but though it can regulate prices for phones of companies devoting them to public service, it cannot regulate prices for phones by the companies restricted to a single building, not connected with a public exchange, and so purely private.

Chesapeake etc. Co. v. Manning, 186 U. S. 247.

Congress has extensive power over railroads in interstate commerce, but though in an emergency, to avoid interruption of traffic, it may for a limited time and to give opportunity for operators and employees to agree, fix wages, it can not otherwise because of the "due process" clause, to which the United States is subject. For such wages are primarily of private agreement, "not subject to be controlled or prevented by public authority."

Wilson v. New, 243 U. S. 333.

It would seem the public interest in railroads ought to warrant congressional wage regulation. Upon like principle, clearly enough the court sustains legislative regulation of a minimum wage for women and minors.

See:

Stettler v. O'Hara, et al., 243 U. S. 629.

In many other cases the court incidentally refers to and invariably approves the principle that forbids legislative regulation of prices in ordinary mercantile business and common callings.

Defendants further contend that however it be in ordinary times, the war, world conditions, diminished supplies, profiteering and the like justify and validate this Act now. And they cite like legislation, state and congressional, in support thereof. This is the argument of public opinion, morality and emergency in specific form, and needs no additional consideration. It may be suggested, however, that congress proceeds under its power to carry on war, and that therein the United States is subject to the "due process" clause of the Fifth Amendment, so far as liberty and property are concerned, save in respect to that destroyed by military operations.

See:

Hamilton v. Company, *supra*.

And it may be further suggested that however it might be, had the Act been limited to the prime necessities like fuels, flour, meats, shoes, woolens, and could war, supplies, prices, public opinion and emergency be allowed to control, it is inconceivable that this all-embracing Act could be sustained as necessary for public health, peace and safety. It ranges from the street corner vendor of popcorn and bananas to the merchant prince, from coal to diamonds, from the babe's first swaddling band and cradle to the aged man's shroud, his coffin and his grave. Trifles, necessities, luxuries, all are within its scope.

As a whole the Act would accomplish a complete and permanent reversal of the American system of economics of business and employment that has prevailed since the nation was founded.

It is true there is no federal control over any state in the matter of what economic theories it will pursue, provided they be not counter to constitutional limitations. That involved in the instant case is, and to an extent that goes beyond economics and virtually invades and to some extent changes the American system of government. Who will question the wisdom of the Constitution that no such vital transformation in every day life, business and government shall occur until accord of three-fourths of the states authorize it? And does not this best comport with morality, that men keep their contracts in matters of government as in matters of business?

Mindful of the familiar principles that control federal courts in consideration of the constitutionality of state legislation, and faithfully heeding them, it is believed clear that the Act at bar is within the inhibition of the Fourteenth Amendment and it is so decided.

A permanent injunction will issue. This disposition of the case renders unnecessary consideration of other objections to the Act.

Decree accordingly.

January 13, 1920.

BOURQUIN, J.

Filed Jan. 13, 1920. C. R. Garlow, Clerk.

In commenting upon the decision of the Federal Court the president of the Montana Development Association states that "if the Trade Commission law had been upheld that eventually regulation would spread to the farmer". We do not agree with this statement, as we believe the law makers and all regulatory bodies recognize the fact that the farmer should be encouraged to increase production. The relationship of production to supply and demand and to competition is a controlling factor in the regulation of prices. Competition, however, owing to mercantile organizations and "gentlemen's agreements" between the leading merchants is a dead issue in many communities.

The Commission is advised that the Attorney General will, as soon as the necessary legal steps can be taken, appeal from Judge Bourquin's decision to the Supreme Court of the

United States. The Commission endorses this determination. The Federal Judge who heard the case himself stated that it involved a grave and momentous issue, and this is undeniably true.

The issue is one in which the whole country is vitally interested, and the instant case presents the issue as to the state's right to regulate prices in ordinary mercantile business, under existent conditions, in exact and precise form. The question has never been squarely presented before. If the state has no such power to protect its citizens, under our present constitutional system, the sooner the fact is made known by the supreme judicial tribunal of the land, the better for all concerned—for its decision is absolutely final.

The Purpose of General Order No. 4

General Order No. 4 was issued during a period when the economic conditions had reached a critical stage, and it was issued for the express purpose of eliminating the profiteer from the ranks of the most essential business industry of the state. Regardless of the opinion of the Montana Development Association, it was not the purpose of the Commission in promulgating General Order No. 4 to injure in any way or put out of business the merchant who desired to deal honestly with the consuming public.

It should be understood by all that the Montana Trade Commission represented both the consumer and the business concerns of the state, and in attempting to carry out the provisions of the law it was the aim of the Commission to deal fairly with all interests involved. The merchant who valued the good will and the interests of the public should have had no fear of regulation.

Therefore, this Commission has no apologies to make for General Order No. 4 or for any other policy pursued by it in its administrative capacity. The decision of the Federal Court, which declared that the fixing of prices or margins of profits under the Trade Commission law was unconstitutional, has disappointed the hopes of at least eighty-five per cent of the people.

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